Vacant and Abandoned Property Neighborhood Revitalization Study

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A. EXECUTIVE SUMMARY

1. Introduction

In November 2012, RKG Associates, Inc. and their teaming partners APD Urban Planning & Management, LLC were hired by Louisville Metro Government to develop a series of recommendations to address the city's vacant and abandoned properties (VAPs) and mitigate their associated impacts.

The RKG Team took a comprehensive perspective, recognizing that neighborhood revitalization, in addition to the reduction of vacant and abandoned properties, is necessary to reduce the occurrence of this issue in the future. To develop a set of actionable strategies, the RKG Team utilized a methodology to:

- Assess demographic, economic and housing conditions, including field inspections in West Louisville neighborhoods;
- Conduct interviews and outreach with local community organizations, nonprofit and for profit developers, and Metro Government officials and staff;
- Develop an analysis of real estate marketability to identify where intervention might be most effective; and
- Assess the return on investment that Metro Government could reasonably expect to receive for the costs associated with addressing the vacant and abandoned property problem over 20 years.

The resulting report outlines a series of early intervention and long-term strategies and the relevant data analysis to support those strategies, and offers a comprehensive approach to addressing the vacant and abandoned property problem.

2. Vacant and Abandoned Property and Underlying Factors

At the end of 2012, approximately 6,000 vacant properties were identified by Louisville Metro Government. Of those, more than 1,100 properties are thought to be abandoned – properties that Metro Government has actively maintained and have been identified as being vacant by a Metro code enforcement officer for at least a year. The vacant and abandoned property problem has complex origins dating back generations in some cases. The isolation of some urban neighborhoods, oftentimes shaped by the construction of the region's interstate highway network through Louisville's urban core, has resulted in disjointed neighborhoods, many of them historic residential enclaves and home to Louisville's immigrant and African-American populations.

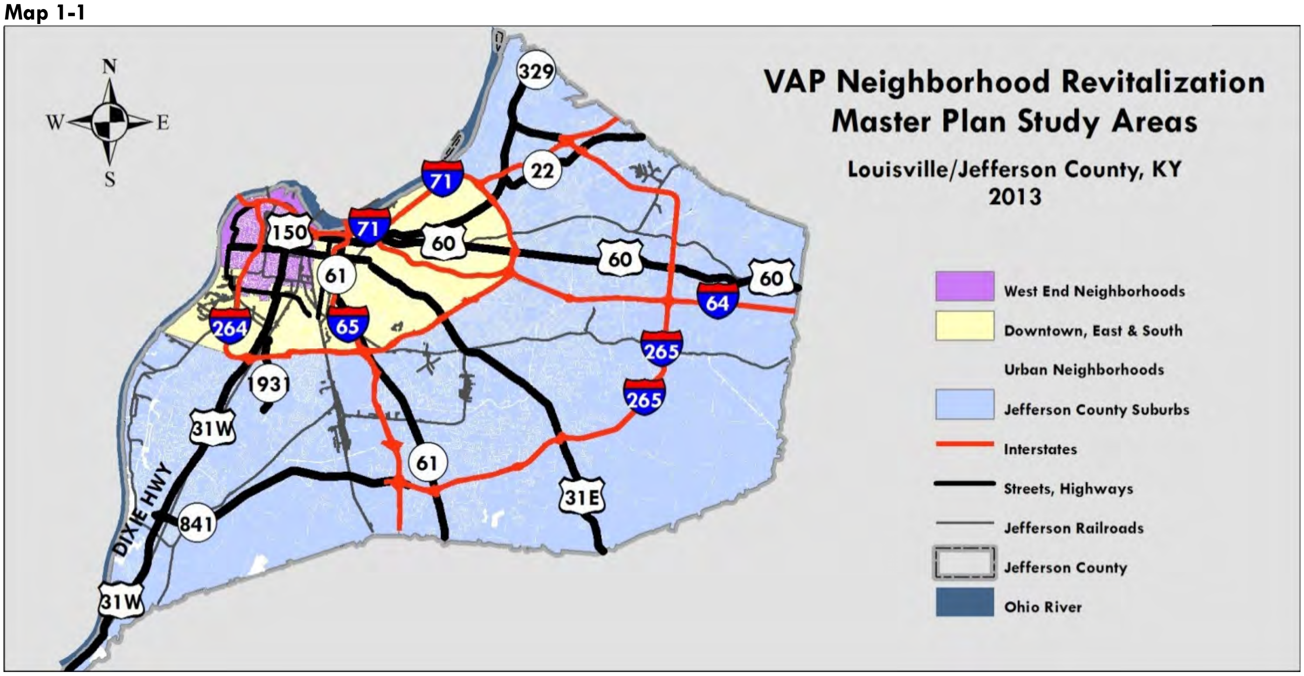
Since the late 1960s, and more recently since the start of the so-called "Great Recession" in December 2007, Louisville Metro Government has experienced a proliferation of property tax foreclosures, mortgage foreclosures, and corresponding neighborhood blight conditions. While this problem has been most acute in certain urban neighborhoods, there is evidence that the problem is spreading beyond these inner core neighborhoods into more suburban neighborhoods.

3. Demographics and Economic Trends

To better understand conditions on the ground, the RKG Team assessed socioeconomic, employment and business establishment trends in Louisville. This helped inform the Team's understanding of the economy and livelihood of Louisville's residents, as well as the underlying factors that contribute to the vacant and abandoned property problem.

For this report, the Metro Louisville area was divided into three study areas: West Louisville neighborhoods, the Downtown, East and South Urban neighborhoods and the Jefferson County suburbs (Map 1-1).

Map 1-1



Source: LOJIC & RKG Associates, Inc., 2013

Some key findings:

- **Population:** The urban neighborhoods experienced a decline in population between 1990 and 2012, while the suburban areas and Jefferson County as a whole experienced an increase. Minimal increases in population (between 1% and 3%) are projected for all three study areas by 2017.
- **Household Formation:** Household formation trends showed a decline in the urban neighborhoods in recent decades, while the suburbs experienced growth. The number of households is projected to increase by 1% to 4% between 2012 and 2017.
- **Race:** Neighborhoods in West Louisville contained the highest concentration of African Americans in the Louisville, and the highest concentration of minority populations overall. In all study areas, the percentage of White persons has decreased over time. In 2010, when the U.S. Census began using the category of "Hispanic Only", this was the largest non-White ethnic category other than African American in all areas.
- **Income:** Median household income is highest in the suburbs, and lowest in West Louisville. Rates of poverty are highest in West Louisville, especially among female households with no husband and non-family households. Conversely, poverty rates were lowest in the suburbs.
- **Economy:** The economy of Jefferson County and the surrounding region has changed in recent decades such that manufacturing makes up a declining share of total employment and establishments, while sectors such as health care, accommodation and food services, and transportation have all made gains. The health care category has shown the highest net job growth in recent years.
- **Employment:** When comparing the periods 2001-2008, and 2008-2011, it appears that the recession had a significant impact on the region. Trends show that employment growth in Jefferson County was flat for the period leading up to the recession, with substantial job losses after 2008. A close examination shows that certain industries had already started to significantly shed jobs prior to the recession, and the recession

accelerated this trend while slowing or reversing growth in other industries.

Compared to the Commonwealth of Kentucky as a whole, Jefferson County experienced flat growth leading up to the recession. A significant finding is that the net job loss in Louisville constitutes 88% of the statewide net job losses between 2001 and 2011.

4. Housing Characteristics and Conditions

Age of Housing Stock: The housing stock in Jefferson County is predominantly made up of owner-occupied single-family detached units. The largest concentration of new housing units was found in the suburban areas. As expected, units are oldest in the urban neighborhoods, particularly West Louisville, where 45% of housing units were built prior to 1939.

Historic preservation best practices can be added to current Metro Government policy to help ensure the historic fabric of neighborhoods needing revitalization remains intact. Some of the best practices used in other communities include cataloguing historic properties, establishing design guidelines for redevelopment and incorporating adaptive reuse into affordable housing initiatives.

Ownership: Owner-occupied houses are found in the greatest proportion in the suburbs, while the majority of units in West Louisville are rented. The other urban neighborhoods show a slight majority of owner-occupied units. The decline in homeownership in the West Louisville neighborhoods between 1990 and 2012 has affected neighborhood stability, as properties have fallen into disrepair due to deferred maintenance. If this trend continues, neighborhoods throughout the Metro area will experience further instability, decreased investment, and a reduction in the supply of quality units for ownership. In combination, these effects will reduce the opportunity to increase the population of long-term residents.

Property Condition: A block-level condition analysis was performed in West Louisville using a rating scale devised by the RKG Team to determine the degree of blight on a block-by-block basis. The analysis revealed that approximately 35% of all blocks in West Louisville are "stable," or require little or no intervention to remain viable. An additional 35% are considered on the verge of decline and showing signs of disinvestment, and could either tip into further decline or start to improve. Approximately 30% of the blocks require active intervention to become stable. With the exception of the Hallmark and Russell neighborhoods, the most blight occurs towards the east side of the neighborhoods with blocks exhibiting more stable conditions moving westward towards the river.

5. Housing Affordability

The RKG Team utilized income thresholds calculated by the U.S. Department of Housing and Urban Development (HUD) for the Louisville-Jefferson County, KY-IN Metropolitan Statistical Area to use as an approximation to define affordability in Louisville. Thresholds for two-person households, used to analyze rental affordability, and three-person households, used to analyze homeownership, range between $14,600 and $65,640 as seen in Table 1-1.

Table 1-1

Income Limits, FY2013
Louisville-Jefferson County, KY-IN MSA

	Household Income	
% of AMI	**2 person**	**3 person**
30%	$14,600	$16,400
50%	$24,300	$27,350
80%	$38,850	$43,700
100%	$48,600	$54,700
120%	$58,320	$65,640

Source: U.S. Department of Housing and Urban Development (2013), RKG Associates, Inc.

The analysis found that the urban areas of Louisville generally do not have enough affordable housing to support the demand of those making between 51% and 100% of area median income (AMI). To find homeownership opportunities, these households will choose from the existing supply of homes that are affordable to those at lower income thresholds, which indicates a mismatch between housing demand and the available supply.

Furthermore, these households will consume the best conditioned units from the lower affordability threshold, leaving only those units that have a number of quality and condition issues. The negative marketability of these units has led to high incidences of vacancy and abandonment.

The suburbs were found to have a greater mix in the supply of affordable homeownership options. There is an *oversupply* of housing affordable to those making between 50% and 80% of AMI. However, the undersupply of units affordable to those making between 80% and 100% of AMI most likely reduces this oversupply as households in this income range consider units below their ideal price range in order to find a home.

The recent increase in multi-family development in Louisville may help to decrease gaps between the supply and demand of affordable units for those at or above 50% of AMI, but not necessarily for the portion of the population most in need (i.e., those making less than 50% of AMI).

6. Neighborhood Marketability

The RKG Team devised a neighborhood marketability analysis to determine where future investment by Metro Government might have the most impact on alleviating problems associated with vacant and abandoned properties. A system of weighted scores was applied to a variety of property factors relevant to the preferences of investors, developers, and future home buyers or renters.

The marketability of the suburban areas transitions from high positive scores to moderately positive and slightly negative scores when moving from east to west. Suburban parcels closest to the urban areas in the northwestern parts of Jefferson County were generally less positive than those further out in the suburbs. The same was true for the Downtown, East and South Urban Neighborhoods, where the areas with the greatest number of positive factors are concentrated east of the downtown. West Louisville exhibited a different pattern defined by the presence of the interstate highway and railroad right-of-way. Parcels closest to these major transportation corridors showed the greatest negative scores and the highest marketability was observed on the western side along the riverfront. The southern sections of West Louisville also had concentrations of parcels with positive marketability.

7. Return on Public Investment

A model was developed to illustrate the possible return through revenues that Metro Government might see on the costs associated with addressing the issues related to vacant and abandoned properties. Two scenarios were reviewed: (1) a Baseline Maintenance Approach with minimal additional actions taken by Metro Government beyond the current level of activity, and (2) an Intervention Approach, or a more aggressive level of activity that increases the actions of Louisville Metro Government substantially beyond the current level. The Intervention Approach assumes that by the end of a three year ramp-up period, Metro Government's capacity to undertake comprehensive revitalization increases with the creation of a new implementation organization with all the powers, authorities and financial capabilities to lead the effort. Accordingly, the level of intervention increases in all activities including code enforcement inspections and property maintenance, demolitions, judicial foreclosures, new housing construction and all manner of neighborhood revitalization.

The ROI model calculates a return on the public investment after the end of Year 20 to account for the fact that neighborhood revitalization can take several years to plan, fund and implement. The ROI calculation compares the City's measurable expenditures against its returns, in the form of increased tax revenues over the 20-year projection period. While financial returns may be modest, the stabilization of neighborhoods and the preservation of public health and safety are immeasurable and should not be overlooked. Finally, the ROI model is applied to three separate geographic areas of Louisville/Jefferson County. A comparative analysis of West Louisville, Downtown, East and South Urban neighborhoods and Jefferson County suburbs illustrates how changes in ROI can vary by location.

7.1 ROI Comparative Analysis

The results of the ROI model indicate that the highest returns on investment can be achieved in the West Louisville neighborhoods (4.5% in the Baseline Maintenance approach, and 27.3% in the Intervention approach). These results are largely due to two reasons. First, the West Louisville area has a much higher concentration of distressed properties, which is lowering property values and makes property acquisitions more affordable. Secondly, the West Louisville area maintains higher property tax rates, which return more revenues to the bottom line (tax rates differ in some areas of the county depending on the services provided – e.g., sanitation, street lights, fire protection).

The Baseline Maintenance approach, overall, does not produce suitable returns on the public investment, nor does it produce enough tangible results on the ground to make a real impact in the most distressed neighborhoods. It is not until public dollars are used to grow the tax base or grow employment that revenue begins to flow back to local government. While the current program of code enforcement, foreclosures, demolitions and property maintenance are essential elements of Metro Government's response to the vacant and abandoned property problem, they are not sufficient in and of themselves to reverse the trend of decline. However, they are effective at reducing the incidence of blight and reducing crime, which is already a problem in some neighborhoods.

On average, the Intervention approach produces 20-year returns that are 5 to 6 times greater than the Baseline Maintenance approach, with the largest spread occurring in the West Louisville neighborhoods (22.7% spread).

Impact of Borrowing on ROI

One of the factors that increases the government's ROI is the ability to reduce its upfront investment in such things as infrastructure, housing subsidies, land and building acquisition and other capital expenses. Given the size and scope of this effort, it is unlikely that Metro Government will be able to "pay-as-you-go," and only complete those activities for which there are existing funds, when outlays are currently $5+ million. Any substantial expansion of revitalization activities would drive the annual cost well above $10 million a year. However, with the use of the City's bonding capacity, or the bonding capacity of a redevelopment entity with special taxing authority, those same capital outlays could be reduced substantially.

The ability to finance major capital investments is a critical element of "right-sizing" the City's response to meet the size of the challenge. Currently, much of the money used for housing and neighborhood revitalization comes from federal sources, which are diminishing over time. If one assumes that the revitalization of the West Louisville neighborhoods might cost a billion dollars over a 20-year period, at a 4:1 leverage ratio, Metro Government might have to invest as much as $250 million. If that investment was spread out in equal annual installments and the City was able to borrow those funds each year on a "pay as you go" basis, in Year 21 the investment would require annual debt service payments in excess of $18 million. While this is an extreme investment scenario, it speaks to the financial limitations of the "pay-as-you-go" approach, particularly under a more comprehensive revitalization scenario.

7.2 Increasing Return on the Public Investment

In order to increase its financial return on public investment, Metro Government must do the following:

- Increase Public, Private, and Non-profit Partnerships – The ability to attract non-public money to revitalization areas will have a greater impact on financial return than any other single action. This will require Metro Government to work in close partnership with its private and non-profit development partners to carry out activities in targeted areas. In order to accomplish this, Metro Government must carefully select the locations and methods used to revitalize different areas. This may require a change in approach and a commitment to direct public dollars in a more targeted way, rather than spreading limited funds through many different areas and having very little impact.

- Increase Organizational and Financial Capacity – In order to leverage greater amounts of non-public money, Metro Government must be prepared to make larger and more strategic investments where they are needed to unlock *"Other People's Money."*

  This will require Metro Government to become more of an equal partner and in some cases a "deal-maker," when appropriate. Committing financial resources that are both significant and sustainable and utilizing the City's borrowing power are critical elements. Urban revitalization requires public action to mitigate risk and remove structural problems that could not be removed if not for the government's involvement. In Louisville, the private real estate market is not strong enough in some neighborhoods to justify the investment risk without public intervention.

- Strategic Actions in Targeted Areas – This approach concentrates Metro Government's planning, organizational, funding and implementation efforts in areas that are ready for revitalization. This means that the City is working in areas with an established revitalization strategy and is working in partnership with others that have the capacity to implement change. This also includes residents, who should be actively engaged in the planning process leading up to implementation.

7.3 Implications

The ROI model illustrates a couple of important factors that must be considered as Metro Government moves forward with its revitalization initiatives. First, how can it maximize the benefits derived from current and future public investments in neighborhood revitalization? In order to have a measurable impact on declining neighborhoods and to improve conditions, the City must work closely in concert with other development interests and community residents.

Where the City makes investments in the future may be as important as the types of investments it makes. Dedicating tens of millions of public dollars into the most severely challenged areas may not produce the best results, despite the high level of need in those areas. Dedicating and targeting resources in areas where they can have a "catalytic" effect and spin-off other development must be part of the strategy.

The traditional method of "pay-as-you-go" will probably not have a significant impact in some of the City's most economically challenged neighborhoods. The scale of the investment needs to increase to meet the size of the problem, and currently that is not possible given the limited resources. Finally, if Metro Government wants to maximize the return on its investment to combat the vacant and abandoned property problem, it needs to pursue strategies that will stabilize and grow the tax base. The current approach of code enforcement, property maintenance, demolitions and foreclosures is essential but will not produce the measurable financial results that Metro Government desires. This can only be achieved through comprehensive neighborhood revitalization efforts, with Metro Government providing the strategic vision and investment in areas that will attract federal, private and nonprofit investment.

The Cost of Doing Nothing

Louisville Metro Government's ability to make long-term funding commitments to neighborhood revitalization will depend on several factors. Number one, what level of public and political support will there be for these initiatives in the face of other competing public priorities and financial commitments? Secondly, what costs will be incurred by Metro Government in the future, irrespective of any additional funding commitments? In other words, what would be the cost to local taxpayers for taking no additional action, if that were possible.

Currently, Metro Government is spending several million dollars annually to fund a variety of code enforcement, demolition, and foreclosure and property maintenance activities on more than 6,000 vacant properties throughout the Metro Louisville area. In addition, the Department of Community Services & Revitalization spends another $11 million annually to fund community development, housing and neighborhood revitalization activities, primarily with the use of federal HUD entitlement money.[1]

Over time, continued neighborhood decline will extract a cost from the community, either through direct budget appropriations or through the erosion of property values, increased crime and a multitude of social problems. With nearly $11 billion in urban residential assessed value located within the I-264 loop, just a 1% decline in values results in a loss of $110 million in assessed value. A decline in real property values of 1% would translate into a potential loss of over $1.4 million in annual tax revenues to local government.[2] If this amount was used to retire municipal bond debt, it could support a 20-year bond issuance of nearly $30 million. With several neighborhoods in West Louisville experiencing assessed value losses of between 4% and 17% in 2013, the stakes are high and costs are being incurred on both sides of the municipal ledger regardless of annual budget decisions.

8. Early Intervention and Long-Term Recommendations

Despite current conditions in the local economy, real estate and financial markets, the problem of vacant and abandoned properties is symptomatic of a much larger problem. At the core of this issue is the steady erosion of many urban and some suburban neighborhoods. Future Metro initiatives to combat the vacant and abandoned property problem must approach it from a larger context and devise strategies to revitalize the City's declining neighborhoods.

Through discussions with internal and external stakeholders, Early Intervention (24-36 months) and Long-term (Years 4-10) Recommendations were developed. The Early Intervention Recommendations are specifically designed to address the most pressing and viable near-term opportunities for local government, with the understanding that the city cannot and should not be the sole solution to the problem, but must help direct and organize the effort. It sets the stage for more complex, longer-term strategies that will require a significant commitment of planning, financial resources, and political support.

The recommendations are organized into five main elements including:

- **Element 1:** Organizational Structure and Administrative Action
- **Element 2:** Comprehensive Neighborhood Revitalization, Planning, Capacity Building
- **Element 3:** Legislative Initiatives
- **Element 4:** Housing Rehab, Construction, Demolition, Catalyst Projects
- **Element 5:** Funding

[1] E-mail from Robin Grammer, Executive Administrator, LMG Community Services & Revitalization, July 3, 2013.

[2] Estimated assessed value loss taxed at a rate of $1.2921 per $100 in assessed value at current tax rates for Metro Louisville ($0.1255), Urban Service District ($0.3666), School District ($0.70) and Fire District ($0.10).

A summary of the recommended action items follows, with the full recommendations provided in Section 2 of this study.

8.1 Element 1 - Organizational Structure and Administrative Actions

In order to address the full range of issues related to VAP neighborhood revitalization, Metro Government must create an organization with the full-time staff resources and the powers and authorities required to respond to the current problem in its size, scale and complexity. This organization, "LouisvilleNOW", is a long-term recommendation to incorporate the actions of the three major authorities tackling the vacant and abandoned property issue: the Urban Renewal Commission, the Landbank Authority and the Vacant Property Review Commission. In the interim, hiring a VAP coordinator to facilitate the activities of the three entities listed above is first step in transitioning to a single, permanent organization.

EARLY INTERVENTION RECOMMENDATIONS

RECOMMENDATION 1: *Draft a Memorandum of Agreement (MOA) between the existing Urban Renewal Commission, Landbank Authority and Vacant Property Review Commission to formally define the roles and functions in addressing the VAP problem and neighborhood revitalization needs*

RECOMMENDATION 2: *Establish enhanced role and responsibilities of the Landbank Authority, Inc.*

RECOMMENDATION 3: *Establish role and responsibility of planning, housing, and neighborhood development*

RECOMMENDATION 4: *Improve methods for tracking vacant, abandoned and foreclosed properties in high risk neighborhoods*

LONG-TERM RECOMMENDATIONS

RECOMMENDATION 5: *Establish LouisvilleNOW as a combined Urban Renewal Authority combining the Landbank Authority, Vacant Property Review Commission and the existing Urban Renewal Commission to lead urban redevelopment activities in high risk neighborhoods*

RECOMMENDATION 6: *Establish an integrated role and mission for the Landbank Authority, Inc., within the context of a combined urban renewal authority*

8.2 Element 2 - Comprehensive Neighborhood Revitalization, Planning and Capacity Building

Comprehensive Neighborhood Revitalization Planning includes the assessment of existing conditions and development of action plans that address several critical developments elements rather than focusing solely on one element of the neighborhood redevelopment process. Although it is evident that vacant and abandoned properties are a primary contributor to blight and disinvestment, the foundation of sustainable neighborhood planning requires strategies that address housing stabilization through code enforcement and demolition, future zoning and land use, infrastructure, crime prevention, economic development, and most importantly human capacity development. Capacity building is a necessary component of comprehensive revitalization planning and strategies, as resident stakeholders must have the skills needed to sustain successful redevelopment strategies in their neighborhoods.

EARLY INTERVENTION RECOMMENDATIONS

RECOMMENDATION #7: *Initiate public outreach to revitalization, development and lending community*
RECOMMENDATION #8: *Identify Priority Project Areas (PPAs)*
RECOMMENDATION #9: *Identify neighborhood revitalization strategy areas to guide public and private investment decisions*
RECOMMENDATION #10: *Establish a formal process for evaluating specific target locations within Priority Project Areas*
RECOMMENDATION #11: *Improve the capacity of local housing partners to respond to revitalization needs*
RECOMMENDATION #12: *Introduce and market metro program to sell or dispose publically-owned properties not critical to redevelopment*
RECOMMENDATION #13: *Improve the grassroots capacity of neighborhood associations to undertake community-based action*

LONG-TERM RECOMMENDATIONS

RECOMMENDATION 14: *Plan Model Block Developments to encourage public/private investment*
RECOMMENDATION 15: *Establish a core project management team consisting of Metro Government staff critical to redevelopment*
RECOMMENDATION 16: *Establish training program for local development partners to expand capacity*
RECOMMENDATION 17: *Work with political representatives, civic leadership, and business community to create local champions*

8.3 Element 3 - Legislative Initiatives

In its current capacity, the Landbank Authority does not have the powers most useful to addressing the vacant and abandoned property problem. Even if a consolidated organization with the Urban Renewal Commission and Vacant Property Review Commission is not formed, legislative action will be needed to enhance the powers of the Landbank Authority. These enhancements would be targeted changes approved through state enabling legislation.

EARLY INTERVENTION RECOMMENDATIONS

RECOMMENDATION 18: *Pursue legislative changes to enhance the powers of the Landbank Authority*

8.4 Strategy Element 4 - Housing Rehabilitation, Construction, Demolition and Catalyst Development

A primary goal of neighborhood revitalization is to preserve and protect the architectural and historical character of the targeted neighborhoods. The recommended approach to housing rehab and the use of new infill construction is one that combines elements of code enforcement, rehab design standards, and preservation or neighborhood conservation. Combining these features will help protect the unique character of revitalization neighborhoods.

EARLY INTERVENTION RECOMMENDATIONS

RECOMMENDATION 20: *Establish process and qualifications for developer participation*
RECOMMENDATION 21: *Establish rehab standards, construction practices, and design standards*
RECOMMENDATION 22: *Undertake a selective housing demolition program to reduce blight and crime and create redevelopment opportunities*

LONG-TERM RECOMMENDATIONS

RECOMMENDATION 23: *Establish re-qualification procedures for annual developer participation*
RECOMMENDATION 24: *Create a program to encourage joint ventures between non-profit and for-profit developers on urban redevelopment projects*
RECOMMENDATION 25: *Establish regulatory framework to guide redevelopment and reinvestment*
RECOMMENDATION 26: *Create annual work plan for priority project areas*
RECOMMENDATION 27: *Package select projects within priority project development areas*
RECOMMENDATION 28: *Establish marketing and branding strategy to build on neighborhood assets to attract new investment*
RECOMMENDATION 29: *Establish real estate asset management capability*

8.5 Element 5 - Funding

The level of resources required to address the VAP problem will depend on the size and complexity of Metro Government's role, but at the high end could require hundreds of millions of dollars. During the first two to three years, with the exception of funding a new VAP Coordinator position to begin organizing the initiative and setting short- and long-term priorities for Metro Government, much of the project-based activities will be funded through existing budgets and by shifting department responsibilities where possible. Once major project initiatives have been identified, larger funding sources will be required.

Over the long-term, Metro Government needs to explore financial strategies that will support the larger public investments required to have a significant impact. Such strategies will need to consider utilizing Metro's bonding capacity, or the bonding capacity of a new redevelopment entity, to finance new project initiatives.

The RKG team also recommends interested parties explore the possibility of expanding Kentucky TIF statutes to include smaller scale, residential or mixed used redevelopment and whether or not TIFs could be successfully used for neighborhood revitalization in Kentucky.

EARLY INTERVENTION RECOMMENDATIONS

RECOMMENDATION 30: *Identify funding policies and sources for VAP housing revitalization funding*

RECOMMENDATION 31: *Identify sources for development subsidies including CDBG, HOME, NSP, etc.*

RECOMMENDATION 32: *Attract long-term financing to priority project areas*

RECOMMENDATION 33: *Establish innovative funding techniques to finance major economic development and neighborhood redevelopment projects and administrative expenses*

LONG-TERM RECOMMENDATIONS

RECOMMENDATION 34: *Identify sources for VAP housing revitalization funding*

RECOMMENDATION 35: *Create development subsidy support based on leveraging public/private sector investment*

RECOMMENDATION 36: *Work with local lenders, private mortgage insurance companies, and secondary market to increase private sector participation*

RECOMMENDATION 37: *Capitalize a LouisvilleNOW development fund that is self-sustaining to fund larger redevelopment projects*

RECOMMENDATION 38: *Explore the options for potential new ways to process delinquent tax liens*

A. STUDY OVERVIEW

1. Introduction

Louisville Metro Government's vacant and abandoned property problem has complex origins dating back generations in some cases. The isolation of certain urban neighborhoods, often shaped by the construction of the region's interstate highway network, have resulted in disjointed neighborhoods; many of them historic residential enclaves and home to the city's immigrant and African-American populations. The level of poverty, crime, and industrial encroachment and blight conditions varies; and while this problem has been most acute in certain urban neighborhoods located east, west and south of the Downtown area, there is evidence that the problem is spreading beyond these inner core neighborhoods into more suburban neighborhoods.

Since the late 1960s, and more recently since the start of the so-called "Great Recession" in December 2007, Louisville Metro Government has experienced a steady erosion of its real estate tax base due to a proliferation of tax foreclosures, mortgage foreclosures, elevated tax lien sales and corresponding neighborhood blight conditions. Furthermore, in early 2013, Jefferson County's Property Valuation Administrator announced that assessed property values in several West Louisville neighborhoods would be adjusted downward to reflect the poor market fundamentals in that area of the city.

More than 1,100 properties were identified as abandoned by Metro Government at the end of 2012, and approximately 6,000 properties are thought to be vacant. Recognizing that a new approach was needed to address this growing problem, Louisville Metro Government hired RKG Associates, Inc. and their teaming partners APD Urban Planning & Management, LLC to develop an early intervention and long-term strategy to address vacant and abandoned properties and mitigate their associated impacts on the city's neighborhoods.

An important part of the approach developed by the RKG Team is an objective, fact-based process to make decisions on where to target public investment and programmatic resources, designate special districts, start neighborhood planning, and direct federal funding. These efforts focus on areas in transition, which are identified by the RKG Team through an analysis of parcel marketability based on the factors that influence developers, homebuyers and renters.

A primary goal of the early intervention and long-term strategies is to build partnerships with area non-profits and development organizations and make strategic investments that produce an investment response from other important development players. Because private investment money often flows to where public dollars are being spent, usually in the form of federal grants, loans, financial subsidies, and infrastructure improvements, building upon the initial actions of Metro Government can lead to a lasting change that addresses the issues related to vacant and abandoned properties and revitalizes the city's neighborhoods.

2. Comprehensive Approach to Neighborhood Revitalization

Despite current conditions in the local economy, real estate and financial markets, the number of vacant and abandoned properties is symptomatic of a much larger problem.

While Louisville's vacant and abandoned properties have had deleterious effects on the local tax base and resulted in increased municipal expenditures, declining housing conditions, and increased blight, they are just one contributor to the larger problem of declining neighborhoods. Accordingly, future Metro Government initiatives to combat this problem must approach the problem in its larger context and devise strategies to revitalize the city's declining neighborhoods, many of them located in its urban core.

3. Objectives of the VAP Study

On November 27, 2012, the RKG Team met with Metro Government staff to review the VAP Study research approach and to conduct an early project goal setting session. The top three ranked objectives included: (1) removal of blighted properties and public safety hazards, (2) return properties to productive use and (3) stabilize neighborhoods. Although Metro Government is already working to combat these problems and meet these public goals, a more effective approach requires a higher level of coordination and an overall vision and strategy.

4. Key Strategy Elements

On March 19, 2013, RKG Associates, Inc. conducted a half-day workshop with Metro staff to review the draft Early Intervention Strategy. The discussion focused on five key elements related to the role of Metro Government and its future response to the vacant and abandoned property problem, as well as the challenges of urban revitalization.

The following goals were set for the VAP Study:

- To provide leadership to all residents, housing organizations and developers, and to seek community consensus around its major elements.
- To communicate the results of the VAP Study to investors/speculators, non-profit and private developers, and future homeowners in order to shape future decision-making.
- To provide planning, programmatic initiatives, and funding to direct investor and development activity into priority revitalization areas.
- To devise a strategy for stabilizing declining areas and stimulating investment in "transitional areas" before they fall into decline.
- To put in place the organizational structure and administrative and legislative policies required for successful implementation.

5. Methodology and Approach

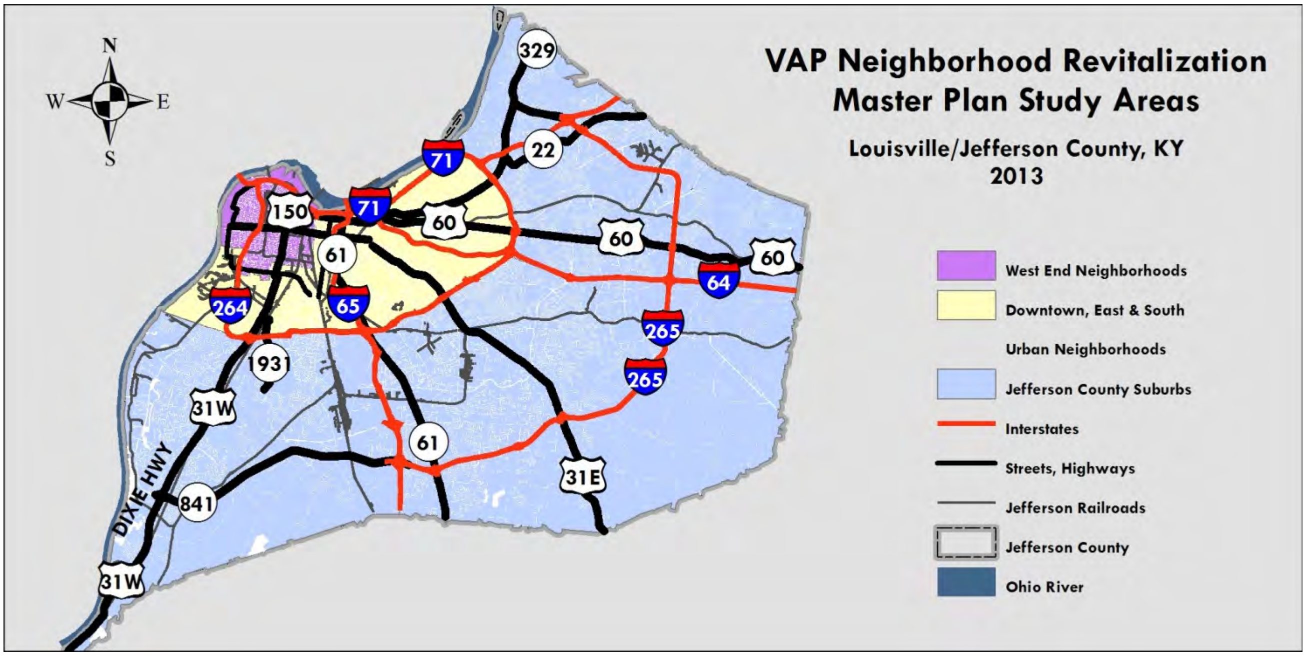
The RKG Team took a comprehensive approach to developing an early intervention strategy and long-term strategy that addresses the vacant and abandoned property problem. In order to do so, RKG analyzed existing conditions, developed an assessment of property marketability and created a model illustrating return on investment. This research and analysis was used to ensure that the early intervention and long-term recommendations not only reduce the number of vacant and abandoned properties, but also facilitate neighborhood revitalization.

For this report, the consultant team divided the Metro Louisville area into three areas: the West Louisville neighborhoods, the Downtown, East & South Urban neighborhoods and the Jefferson County suburbs. As seen in Map 2-1, the West Louisville and Downtown, East & South Urban neighborhoods make up all of what was formerly Louisville, Kentucky. The remaining area of the county is considered largely suburban and is referred to as the Jefferson County suburbs.

5.1. Existing Conditions Analysis

Existing demographic and economic conditions in Jefferson County were analyzed using data from the U.S. Census Bureau. This provided insight into the socioeconomic makeup of the three areas of Metro Louisville and the trends in employment and business establishment that impact the economy of the county and the livelihood of its residents. Evaluation of this data also provided a background to better understand the underlying factors, such as the concentration of poverty, which contributes to the vacant and abandoned property problem.

Map 1-1



Source: LOJIC & RKG Associates, Inc., 2013

To further understand existing housing conditions in Louisville, the consultant team completed an analysis of housing affordability. The level of demand for affordable housing was determined using the Fiscal Year 2013 income thresholds calculated by the U.S. Department of Housing and Urban Development (HUD). Assumptions were made about the cost of homeownership and rentals in Louisville using a variety of real estate industry sources. The affordability of homes and apartments was based upon their assessed value and market pricing from data provided by the Jefferson County Property Valuation Administrator. The U.S. Census Bureau provided information used to determine the affordable rental supply in a similar fashion.

In addition to this research and analysis, field inspections of block conditions in the West Louisville neighborhoods were conducted to provide an on-the-ground perspective of the impact of vacant and abandoned properties. These observations supported conclusions about the condition of residential housing in the West Louisville.

5.2. Interviews and Community Outreach

A series of interviews, meetings and presentations with a variety of stakeholders were conducted by the RKG Team. Consultants met with or interviewed various stakeholders between November 2012 and May 2013, including:

- The Fuller Center
- Habitat for Humanity
- Homebuilders Association of Louisville
- The Housing Partnership Inc.
- Louisville Urban League
- Metropolitan Housing Coalition
- Network Center for Community Change
- New Directions Housing Corporation
- Kentucky Housing Corporation
- REBOUND Inc.
- River City Housing Corporation

The purpose of these meetings was to better understand the vacant and abandoned property problem in Louisville and discuss possible intervention strategies.

5.3. Marketability and Real Estate Analysis

The RKG Team developed an analysis of the marketability of parcels in Jefferson County. The purpose of this analysis was to identify the locations of the most marketable parcels to developers, investors and homebuyers/renters. Each parcel was assigned a score based on a range of marketability from negative (less marketable) to positive (highly marketable). By pairing the location of each parcel and its marketability score, this analysis helped to identify where intervention might be most effective. The metrics for marketability were developed using data from a variety of sources including the U.S. Census Bureau, the Jefferson County Property Valuation Administrator and the Louisville/Jefferson County Information Consortium (LOJIC). A full discussion of the sources and methodology of this analysis can be found in Section 6 of this report.

In addition to marketability, residential development and sales activity were analyzed by year and geographic area to learn more about real estate market conditions. Data sets from the Jefferson County Property Valuation Administrator were the primary source for this portion of the analysis. To better understand the multi-family market, data from the real estate data reporting firm REIS was also analyzed.

5.4. Return on Investment Analysis

The return on investment analysis illustrates the potential financial return Metro Government could expect to receive based on the level of investment made to address the problem over a 20-year period. A financial model was developed that utilized data from real estate industry sources, the Commonwealth of Kentucky, Louisville Metro Government and the Jefferson County Property Valuation Administrator to create assumptions about expenditures related to either a baseline maintenance or intervention (more aggressive) level of activity. A presentation of the return on investment results is contained in Section 7 of this report.

6. VAP Study Review Process

Over the course of the project and development of the VAP Study, senior leadership within Metro Government (the "VAP Steering Committee") played a role in reviewing and guiding the development of the plan's recommendations and supporting analysis.

After an initial draft of the strategies was developed, a review process that involved the Steering Committee, the housing community and other interested parties was completed. On May 22, 2013, a meeting with the VAP Steering Committee was held to review the long-term recommendations, with a follow-up conference call on June 6, 2013.

Also on June 6, 2013, the RKG Team presented the draft study for review to Metro Council Members Kelly Downard and Attica Scott of the Ad-hoc Committee on Vacant Properties. Following this meeting, the RKG Team gave a presentation to the Homebuilders Association of Louisville on June 10, 2013 to gauge developer buy-in and response to the draft strategies.

7. Study Contents

This report is a culmination of research, analysis and discussions with stakeholders. It describes existing conditions and presents a set of recommendations, both near- and long-term, to address the problem and promote neighborhood revitalization. The VAP Neighborhood Revitalization Study includes the following sections:

A. KEY EARLY INTERVENTION AND LONG-TERM RECOMMENDATIONS

The following section contains a detailed description of several key recommendations over the next ten years designed to address and reduce the impacts of the vacant and abandoned properties in Louisville. The Early Intervention Recommendations are proposed over the next 36 months and are specifically designed to address the most pressing and viable near-term opportunities for local government, with the understanding that Metro Government cannot and should not be the sole solution to the problem, but must help direct and organize the effort. The recommendations are designed to position Metro Government and its revitalization partners to take collective actions that are strategic in nature, highly coordinated, and set the stage for more complex, longer-term strategies that will require a significant commitment of planning, financial resources, and political support. For a complete presentation of early intervention and long-term recommendations, see the implementation matrices at the end of Section 2.

The VAP neighborhood revitalization recommendations are organized into the following five main elements:

- **Element 1:** Organizational Structure and Administrative Action
- **Element 2:** Comprehensive Neighborhood Revitalization, Planning, Capacity Building
- **Element 3:** Legislative Initiatives
- **Element 4:** Housing Rehab, Construction, Demolition, Catalyst Projects
- **Element 5:** Funding

1.1. Element 1 - Organizational Structure and Administrative Actions

Organizational Leader

The following roles were identified as appropriate for Metro Government; keeping in mind that any strategy that does not utilize Metro's role to leverage other public, private and nonprofit investment would be viewed as unsuccessful.

- Set Strategic Vision and Priorities – Setting and communicating Metro's VAP vision is something that can direct the efforts of all parties in a more targeted way.
- Convene Key Revitalization Players – Metro should identify and convene the key players inside and outside of government (e.g., Metro departments, nonprofit organizations, private developers, etc.) at all levels to address the VAP problem in a more comprehensive neighborhood revitalization approach.
- Facilitate Local Initiatives - Metro should identify and facilitate the various competing interests (e.g., Metro departments, nonprofit organizations, private developers, etc.) and provide strategic direction and support for key implementation partners.
- Set Revitalization Standards/Coordinate Efforts – The efforts of all parties should be coordinated to maximize their impact and effectiveness. This includes the work of Metro departments, nonprofit organizations, lending institutions, private developers/builders and other players. Metro can also set standards for revitalization through its planning and regulatory efforts.
- Community Outreach and Capacity Building – The capacity of local neighborhood associations to understand and assist in revitalization is important, but largely underdeveloped in many of Louisville's neighborhoods. Metro should increase its neighborhood presence, where necessary, to provide support and capacity building to neighborhood associations and residents.

Development Partner and Funding Source

- Lender/Public Subsidies – Urban revitalization often requires public investments to improve infrastructure, provide amenities and/or subsidize development activity. While not the primary source of funding, Metro should be prepared to play a greater financial role, particularly to advance local revitalization priorities or when no other funding source exists.
- Land Assemblage and Title Clearance – Assembling land for larger scale urban redevelopment projects is time-consuming, expensive and requires a patient investor. For these reasons, this role has traditionally fallen on the public sector, although not exclusively. However, the ability to obtain clear and marketable title through a Land Bank is an essential and uniquely public role.
- Redeveloper/Deal-Maker – Being able to reshape the direction and outcome of a project area often requires involvement in the deal. Most complex urban redevelopment projects occur as public/private partnerships, with both parties assuming and sharing in the investment and development risk.

Organization to Lead Louisville Metro's VAP Neighborhood Revitalization Initiative

In order to address the full range of issues related to VAP neighborhood revitalization, Metro Government must create an organization with the technical expertise, full-time staff resources, and the powers and authorities required to respond to the current problem – in its size, scale and complexity. Currently, Metro Government responsibility for VAP issues falls on several local government departments including: (1) Community Services and Revitalization, (2) Codes & Regulations, (3) Economic Growth and Innovation and (4) the Mayor's Office/VAP Director. Indirectly, the Landbank Authority, the Urban Renewal Commission and the Housing Authority are engaged in housing and redevelopment issues; some of them VAP related. Metro department staff dedicate a relatively small portion of their time to VAP issues, in addition to their other department responsibilities.

Given the magnitude of Metro's VAP problem, the municipal response does not appear to be sufficient to address the problem as it exists today. There are several areas where the response needs adjustment and this can be done through the deployment of existing department resources in the short-term, but requires a more aggressive organizational response in the long-term.

In the short-term, Metro Government should take a more focused leadership role in addressing the VAP problem, and more broadly, neighborhood revitalization. In order to accomplish this, a lead coordinator is necessary to begin organizing, deploying and coordinating the government's response on a daily basis. This study recognizes that it may take 12 to 36 months to "ramp-up" Metro's response, establish project and programmatic priorities and allocate additional resources to the address the problem. However, the RKG Team does not believe this "ramp-up" strategy is sufficient on its own to address the problem and Metro Government must be prepared to take more aggressive actions.

In addition, Metro should begin to deploy its municipal powers and authority in a way that is more effective and responsive to the challenges facing the City. The major elements of Element 1 (Organizational Structure and Administrative Actions) include:

EARLY INTERVENTION RECOMMENDATIONS

1. Identify Full-time VAP Coordinator

A senior level professional is necessary to lead the Metro response and coordinate the activities of other department officials, non-profit organizations and private development partners. Initially, it may be appropriate to house the "VAP Coordinator" in the Department of Community Services and Revitalization, as the department largely responsible for Metro's urban revitalization activities. The VAP Coordinator will work closely with existing Metro staff, across departments, to carry out a more coordinated response. The primary responsibilities of this position include the following:

- **Coordinate Metro Government VAP Leadership Team in the Areas of:**
  - neighborhood planning, revitalization, and federal funding programs, and projects;
  - Code enforcement and abatement;
  - Judicial foreclosures & escheatments;
  - Economic development;
  - Municipal tax liens;
  - Demolition;
  - Landbank Authority activities;
  - Urban Renewal Commission activities;
  - Historic preservation and property review;
  - Police, Fire & EMT Services;
  - Public Works activities;
  - Planning and Design;
  - VAPStat;
  - County Sheriff;
  - County Clerk; and
  - Neighborhood outreach and communication.

- **Set Metro's VAP Program & Project Priorities**
  - Work with strategic housing, development and revitalization partners to identify geographic public investment areas;
  - Work with others to identify key Metro project and program initiatives; and
  - Develop joint initiatives with non-profit and for-profit partners.

2. Assess Internal Organizational Structure

Given the number of departments involved in the VAP effort, Metro Government should conduct an internal assessment of its organizational structure and identify whether it is best positioned to meet the vacant and abandoned property challenges. Attention should be paid to where functions are housed, organizational alignment, how efficiencies can be achieved, the process by which initiatives are introduced, decisions are made, and what roles different departments and staff play in doing so.

3. Establish a High-Level Memorandum of Agreement (MOA) Between Existing Urban Renewal Commission, Landbank Authority and the Vacant Property Review Commission

Under Kentucky's enabling legislation, none of these entities possess all the powers and authorities to adequately respond to the VAP problem on their own, thus a MOA is necessary to enhance Metro Government's response. The new VAP Coordinator would be responsible for providing staff support and leadership to all three boards.

Key Urban Renewal Authority powers:

- Acquire, sell and develop real estate assets,
- Generate revenue through the issuance of revenue bond,
- Using special taxing powers, including the creation of tax increment financing districts and other special assessment districts,
- Participate in real estate development deals, and
- Blight removal through eminent domain powers.

Key Landbank Powers:

- Land acquisition, holding and disposition,
- Title clearance and marketable title, and
- The ability to accept the donation of real estate assets.

Vacant Property Review Commission:

- "Spot" condemnation
- Triple tax program

LONG-TERM RECOMMENDATIONS

4. Create "LouisvilleNOW" as a Joint Urban Renewal/Landbank/Vacant Property Review Commission Authority

Metro Government should pursue the opportunity to merge and fully integrate the Urban Renewal Commission, Landbank Authority, and Vacant Property Review Commission into a single entity with a separate board of directors. In order to create a combined authority, a formal legal opinion from the Jefferson County Attorney's Office is required to identify potential legislative changes for consideration by the

Kentucky General Assembly, as well as resolve the issue around the fact that the Landbank Authority has representation from the local school district and the Commonwealth of Kentucky, whereas the Urban Renewal Commission and Vacant Property Review Commission do not.

This entity would require full-time, dedicated staff that would have the ability to design and lead major project initiatives that can be implemented in combination with public, private, and non-profit partners. Metro Government currently lacks the full-time staff capability to be an equal public sector development partner in more complex, larger scale initiatives. Key technical skills include: high level real estate development, finance, construction & project management, public deal-making expertise, together with property appraisals, property maintenance, acquisition, and legal research. Organizational flexibility is also necessary to be able to structure and negotiate development deals with development interests without local politics taking precedence.

ACTION STEPS (Next 36 Months):

Metro Government currently plays all the roles outlined at the beginning of this section, but not consistently and not always at a high enough level to produce significant and lasting results. RKG recommends the following action steps be considered to define Metro's role in this area.

- Take immediate action to promote the results of the VAP study to all housing and neighborhood revitalization partners.
- Draft a Memorandum of Agreement (MOA) between the existing Urban Renewal Commission (URC), the Landbank Authority (LBA) and Vacant Property Review Commission (VPRC) to formally define the roles and functions of both organizations in addressing the VAP problem and urban redevelopment opportunities in general.
- In the short-term, hire a full-time VAP coordinator to lead and coordinate the activities of the URC, LBA and VPRC with additional staff support from the Department of Community Services and Revitalization.

ACTION STEPS (Year 4-10):

- Establish "LouisvilleNOW" redevelopment authority to address the needs of urban blight, property vacancy and abandonment and economic development in Louisville's urban neighborhoods.
- Appoint a 5-person board of directors to create and incorporate the urban renewal authority and expand the board to 11 members after Year 1 with broader community membership.
- Hire a director and professional staff to manage the day-to-day operations of LouisvilleNOW and the Landbank Authority.
- Prepare a development plan to guide renewal authority actions per KRS 99.030.
- Incorporate the Landbank Authority, Inc. and Vacant Property Review Commission boards into a single consolidated LouisvilleNOW renewal authority board of directors.

1.2. Element 2 - Comprehensive Neighborhood Revitalization, Planning and Capacity Building

Comprehensive neighborhood revitalization planning includes the assessment of existing conditions and development of action plans that address several critical developments elements rather than focusing solely on one element of the neighborhood redevelopment process. Although it is evident that vacant and abandoned properties are a primary contributor to blight and disinvestment, the foundation of sustainable neighborhood planning requires strategies that address housing stabilization through code enforcement and demolition, future zoning and land use, infrastructure, crime, economic development, and most importantly human capacity development. Capacity Building is a necessary component of comprehensive revitalization planning and strategies, as resident stakeholders must have the skills needed to sustain successful redevelopment strategies in their neighborhoods.

EARLY INTERVENTION RECOMMENDATIONS

5. ***Adopt Programs to Dispose of Vacant Lots not Critical to Future Revitalization Efforts***

A number of vacant and abandoned properties are either too small, oddly configured or poorly located and may never become part of a larger redevelopment initiative. In such cases, properties owned or controlled by Metro Government should be disposed of to reduce long-term property maintenance expenses and to support local non-profits or CHDOs. There are a number of best practices from other cities, but all land disposition programs must be marketed and promoted to interested groups or individuals. Some possible initiatives include:

- Formalize and ramp up the "Lot Next Door" Program – vacant lots are sold or gifted to next door neighbors desiring larger side or rear yards or land for off-street parking, garages or lawns.
- Neighborhood Harvest Program – vacant lots are sold or donated to non-profit groups interested in creating and managing urban gardens and farming programs in neighborhoods without access to fresh produce, also known as "food deserts." It might be helpful to provide soil and ground water testing services to address concerns about potential soil contamination or illegal dumping of toxic substances.
- Urban Reforesting/Regreening Program – vacant properties are sold and deeded to non-profit groups interested in urban reforesting or neighborhood greening programs. Alternatively, the City retains contiguous parcels to create wooded lots, either for permanent use or as a transition use until redevelopment occurs.
- CDC Capacity Building Program – Proactively work with local housing development organizations to ensure that vacant parcels or homes are sold or gifted to establish CDCs or other housing organizations interested in building or renovating existing housing units. Property inventory and site control are very difficult for small non-profit housing providers and such a program will help build local capacity at the neighborhood level.

6. ***Identify Priority Project Areas Considering Neighborhood Marketability***

There are two primary approaches to reinvestment when applying the marketability analysis described in Section 6. First, policy and programmatic initiatives might focus on "***transitional***" *areas*, or those areas that are becoming less stable over time. These are areas where the marketability is neutral (0=yellow), slightly negative (pink), or slightly positive (light green) (see Maps 6-1, 6-2 and 6-3 in Section 6). These parcels are either positioned to become stronger residential areas with the right targeted investments or they could slide further into decline without reinvestment. Targeting transitional areas for revitalization offers advantages by: (1) reducing public investment risk; (2) increasing the ability to attract private investment partners; (3) increasing the ability to market new/rehabbed homes to new residents; and (4) potentially reducing public subsidies needed to attract private investment.

The alternative approach to urban revitalization focuses on areas with the greatest concentration of negative marketability scores, or those areas with the most profound social, economic, and housing needs. These areas are generally seen as less desirable by private investors, developers, homebuyers, and renters. However, this approach offers an opportunity to create the greatest change to a "***high need***" *area*. Such neighborhoods exhibit concentrations of blight, crime, and other factors that create investment obstacles and make revitalization more costly and riskier. Historically, Metro Government has taken this approach to urban revitalization with mixed results.

In assessing neighborhood revitalization areas, it is important to know a neighborhood's life cycle since each stage requires a different type of strategy to achieve an effective outcome. For example, assuming that short term outcomes are a priority in a tipping point neighborhood, the intervention strategy should include cleanup/fix up programs to immediately address early signs of blight and encourage private sector reinvestment. However, if the intervention strategy involves a neighborhood with wide spread disinvestment, the initial intervention strategy may require increased code enforcement and demolition of vacant buildings as a means of stabilizing the neighborhood and setting the stage for long range planning to guide how reinvestment should occur.

RKG's neighborhood marketability analysis was designed to identify general areas where targeted policy and investments can take place to improve housing and neighborhood conditions in Louisville. The analysis should be used in combination with the decision making matrix discussed in the following recommendation to begin addressing the vacant and abandoned property problem that is limiting neighborhood potential throughout Metro Louisville.

Understanding which areas are most marketable to investors and future homebuyers/renters is an important element to determine where to target reinvestment efforts. The strongest strategy for addressing these issues involves a combination of analyses and a broad understanding of the existing environment.

7. Utilize Decision Making Matrix (DMM) for Selecting Priority Project Areas

As suggested earlier, dispersed reinvestment efforts will not significantly impact the real estate market without concentrated efforts by Metro Government to correct market failures and fill in development "holes" in the neighborhood. Strategic investments should be made in areas that will produce an investment response from other important development players – private investment money often flows to where public dollars are being spent, usually in the form of federal grants, loans, financial subsidies, and infrastructure improvements.

An objective, fact-based decision-making process is necessary to make decisions on where to target public investment and programmatic resources, designate special districts, start neighborhood planning, and direct federal funding. This process can help reduce the possibility of interest groups trying to subjectively influence the decision-making process and can prepare neighborhoods for future revitalization.

The consultants identified a range of evaluation criteria that could be used to inform a decision-making matrix, including many of the factors that are considered when project initiatives are viewed within the context of implementation.

The ***decision-making matrix*** is not designed to assess a good or bad project, but should be used as a tool to assist in making a determination about where to target public interventions, also called Priority Project Areas. ***Priority Project Areas, or PPAs***, are revitalization areas, usually smaller than neighborhoods, that have both the need and potential for revitalization. Within each PPA, specific project activities (e.g., new housing development and rehabilitation, crime prevention, commercial redevelopment, housing subsidies, etc.) are identified to take place. These project activities may be concentrated in several blocks or a single property depending the opportunity.

The decision-making matrix, or DMM, accomplishes the following objectives:

- Establishes a structured process for review and assessment of short-term projects
- Creates a framework for making objective decisions
- Diminishes influences exerted by special interest groups
- Promotes "implementation readiness" in non-selected areas
- Targets public investment where it can be most effective
- Targets programmatic resources
- Designates special districts
- Directs neighborhood planning efforts
- Directs federal funding
- Directs Metro Government response

Louisville Metro Neighborhood Revitalization Decision-Making Matrix

NEIGHBORHOOD PROJECT AREA CHARACTERISTICS	PPA 1	PPA 2	PPA 3	PPA 4	PPA5
Area has a Current Revitalization or Small Area Plan					
Proximity to Public Transit					
Proximity to Community Facilities, Shopping and Other Institutions					
Concentration of Poverty					
Existence of Active Community Organizations with Capacity					
Incidence of Crime Activity					
Subtotal - Neighborhood Project Area Characteristics					
DEVELOPMENT POTENTIAL CHARACTERISTICS					
Vacant Housing Stock Potential for Rehabilitation					
Availability and Control of Land Resources for Development					
Current Homeownship Rate					
Quality of Existing Infrastructure					
Compatibility of Existing Zoning & Land Uses					
Subtotal - Development Potential Characteristics					
MARKET CHARACTERISTICS					
Current or Proposed Public, Private or Nonprofit Sector Initiatives					
Project Area has the Ability to Attract Development Interest					
Dedicated Funding Available for Program Activities					
Stability of Real Estate Values within Past 2 Years					
Subtotal - Market Characteristics					
Total - All Evaluation Criteria					

The use of the decision-making matrix is based on the assumption that successful neighborhood redevelopment initiatives have characteristics that are fundamental to their success. Generally these characteristics have three basic segments:

1. Neighborhood Project Area Characteristics – The area exhibits existing conditions that serve as a foundation for development.
2. Characteristics for Future Development - Existing conditions or resources needed for urban redevelopment are present.
3. Market Characteristics - Existing characteristics can be promoted as part of a campaign to retain existing residents and attract new residents to the area.

The decision-making matrix creates a framework for making objective decisions on which projects can be initiated in the short-term and long-term and the range of pre-development assistance needed for implementation. Potential Priority Project Areas should be ranked on a scale of 1 – 10 for each evaluation criteria, with a score of 10 indicating the highest potential for housing development and/or neighborhood revitalization opportunities and a score of 1 indicating the lowest potential. If desired, Metro Government could consider weighting various criteria and perhaps give preferences for funding and implementation readiness.

Determining PPAs within a neighborhood requires a more detailed analysis of the area. The detailed analysis includes a thorough assessment process that takes into consideration each of the key reinvestment elements that are most critical to developers when they are making decisions as to whether or not to get involved in a neighborhood revitalization initiative.

Figure 2-1 contains the proposed evaluation criteria for Louisville Metro Government in the selection of PPAs. The evaluation factors are general in nature and can be refined as the City sees fit to meet its needs.

For initial consideration, a series of potential Priority Project Areas have been listed in this report in Section 6. These areas include both those identified by the Department of Community Services and Revitalization based on existing activity; as well as those identified by the consultant team as a result of the neighborhood marketability analysis.

Figure 2-1: DECISION-MAKING MATRIX EVALUATION CRITERION

Neighborhood Project Area Characteristics

- *Area Has a Current Revitalization or Small Area Plan:* PPAs that are part of a small area or neighborhood planning effort should receive priority. Existing plans indicate that the area is already part of a revitalization effort.
- *Proximity to Public Transit:* Areas that are within a quarter mile (1/4 mile) of public transportation indicate that they are within a reasonable walking distance for riders to access transit and are considered an asset.
- *Proximity to Community Facilities, Shopping and Other Institutions:* Areas within one to two miles of amenities such as parks, libraries, churches, schools, and retail centers are attractive to residents and potential homebuyers or renters and assets to a PPA.
- *Concentration of Poverty:* When comparing potential PPAs, those that have lower concentrations of poverty may have fewer challenges to overcome for revitalization. Particularly high concentrations of poverty may be a disincentive for investors and developers.
- *Existence of Active Community Organizations with Capacity:* Are there community organizations already working or willing to work in the area that may be potential partners? These organizations include community development corporations and for-profit or non-profit developers, among others.
- *Incidence of Crime Activity:* This is a comparative measure across the potential PPAs. Higher crime rates, especially violent crime, can impact the perception of the area and act as a potential deterrent for developers and homebuyers or renters.

Development Potential Characteristics

- *Vacant Housing Stock Potential for Rehabilitation:* Existing vacant housing units that are available for rehabilitation are an asset to a PPA. A moderate quantity of these properties within a PPA can help to catalyze a revitalization effort.
- *Availability and Control of Land Resources for Development:* Concentrations of identified abandoned properties, or those owned by Louisville Metro Government or the Landbank Authority. These represent resources that can be packaged and sold in a timely manner due to governmental control or knowledge of availability. Similar to vacant housing stock, these land resources can help catalyze a revitalization project within a PPA.
- *Current Homeownership Rate:* Census derived metric. Comparatively higher rates of homeownership will be an asset for those PPAs and attractive to developers and homebuyers as it contributes to area stability.
- *Quality of Existing Infrastructure:* Infrastructure includes streets, sidewalks, parks/recreation facilities, and water and sewer systems. Is the existing infrastructure in good shape? Does it have the capacity to accommodate additional development? Areas with sound infrastructure may be better positioned for revitalization.
- *Compatibility of Existing Zoning & Land Uses:* Are there existing land uses, such as industrial buildings or railroads, that may deter residential development and impact current and future plans? Are the existing zoning regulations consistent with revitalization plans? If multi-family units are most needed, does the area have the proper zoning? Those PPAs that require rezoning changes may slow the revitalization process.

Market Characteristics

- *Current or Proposed Public, Private or Non-Profit Sector Initiatives:* PPAs in which entities are already active and have existing initiatives from which to build upon will score higher than those that do not.
- *Project Area has the Ability to Attract Development Interest:* PPAs with lower perceptions of crime or other negative factors, existing incentives for development and Louisville Metro owned land and buildings available for purchase will be more attractive to developers than those that do not have these factors.
- *Dedicated Funding Available for Program Activities:* Areas that are already receiving funding or are designated as target areas for CDBG/HOME and other funds or have attracted investments from the Louisville Metro Housing Authority, HOPE VI or other funds should receive higher priority.
- *Stability of Real Estate Values in the Past 2 Years:* Have the real estate values been stable in the neighborhood and area in and around the area? A consultation with the Jefferson County Property Valuation Administrator will provide insight into sales activity and planned changes in value for these areas.

Process for Evaluating Potential PPAs

CSR should organize a small committee process to evaluate the revitalization potential of different neighborhoods. While the final decision on where the City invests its revitalization dollars should remain in Metro Hall, it is recommended that trusted revitalization partners (both for-profit and non-profit) be invited to participate in the evaluation process. The evaluation should also include some outreach to each neighborhood under consideration in order to gather grassroots input and a local perspective. This process should involve the following steps:

- Assemble evaluation team
- Collect quantitative and qualitative data for areas under consideration
- Conduct outreach to representatives of communities being considered
- Organize local leadership
- Consult on community needs and potential opportunities
- Conduct quantitative and qualitative evaluation of proposed PPA criterion
- Make recommendations on Top 3 PPAs
- Meet with local representatives to review evaluation results and prepare for next steps

8. Undertake Revitalization Efforts in the Shawnee Neighborhood as a Pilot Revitalization Initiative

The Shawnee neighborhood is suggested to be used as a first example of the "Priority Project Area" approach, which will utilize many of the strategies found in this report and show what the potential results and impacts are. The Department of Community Services & Revitalization has recently completed a Neighborhood Revitalization Strategy Area (NRSA) Plan for Shawnee, which will target housing rehabilitation and economic development activities in the neighborhood. The activities supported by the NRSA funding allocation ($2 million over 5 years) will then be leveraged by a range of activities that involve the coordinated efforts of multiple Metro Departments, including:

- Homeowner Rehabilitation
- Economic Development
- Code Enforcement & Nuisance Abatement
- Streetscape Improvements
- Public Improvements and Infrastructure
- Public Safety
- Dedicated Metro Staffing
- Targeted outreach for other CSR programs (e.g., Weatherization Assistance Program, financial management workshops, etc.)

LONG-TERM RECOMMENDATIONS

Public/Private Development Partnerships

Long term sustainable comprehensive neighborhood planning requires public/private partnerships and consistent local government support. These elements are necessary to build long-term resident stakeholder capacity. Although there is an obvious desire and need to "get something started" as soon as possible, there is also a responsibility to establish a reinvestment environment that recognizes the value of partnerships, local champions, and establishing a regulatory environment that will guide future development. Building resident capacity is necessary to sustain any change taking place within and around their environment.

Establishment of a policy and regulatory framework for neighborhood revitalization is one of the most important components to ensure private sector investment. The private sector needs to be reassured that the public sector has created a framework conducive to and for investment. This framework should include this VAP study, neighborhood revitalization plans, historic preservation or neighborhood conservation policies, land use, zoning and other regulatory policies that encourage vibrant, mixed-use development with density allowances.

9. Manage Neighborhood Revitalization Strategy Areas to Encourage Public/ Private Investment

Implementing revitalization strategies in neighborhoods that have experienced years of disinvestment is viewed as a very risky investment by private sector developers. However, it is difficult, if not impossible, to achieve long term gains without "setting the stage" for reinvestment. Setting the stage for private sector investment occurs through public sector leadership providing key predevelopment services such as land assembly, zoning and land use, urban planning and visioning, and design assistance that reinforces architecture and design inherent to the neighborhood. Often a set of design standards or a pattern book is created to provide guidance to contractors and developers engaged in building renovations. Such standards create a coherent design vocabulary for an area that complements the historic building stock, but are not so prescriptive as to become an obstacle to revitalization.

10. Establish Training Workshop for Local Development Partners to Expand Capacity

Regardless of the location in which neighborhood revitalization occurs, the first developers to begin implementing the revitalization process are generally nonprofit developers. Training and capacity building are an important part of any organization's growth and ability to provide the highest possible quality of service. Access to local, regional, and national support is key to the nonprofit professional growth but often the organization's limited or restricted budget constraints reduces accessibility to the necessary training.

Local government funding and support are often the only access many nonprofit developers have for quality training and capacity building. Cities across the country are increasingly recognizing the importance of providing this capacity building training and are now making this training a condition of public sector funding support.

ACTION PLAN (Next 36 Months):

- Use the neighborhood marketability analysis to identify potential areas for consideration as future PPAs.
- Adopt use of the Decision Making Matrix to identify where to target public investment and programmatic resources, designate special districts, begin neighborhood planning, and direct federal funding.
- Identify up to three Priority Project Areas and begin designing project initiatives in each area in coordination with private/nonprofit partners and local residents.
- Evaluate revitalization potential for the Priority Project Areas and select three areas requiring small area or neighborhood revitalization plans.
- Initiate neighborhood planning and capacity building efforts and begin project planning with partners.
- Prepare land acquisition and assemblage strategy in each Priority Project Area.
- Begin targeting resources to address top revitalization needs.
- Begin project implementation.

ACTION PLAN (Years 4-10):

- Provide predevelopment services such as rezoning, architectural services, land assembly, and financial incentives designed to encourage private sector participation by banks, mortgage lenders and private developers.
- Establish a Project Management Team consisting of Metro Government department heads critical to redevelopment.
- Establish a training workshop for local nonprofit development partners to expand capacity.
- Work with political representatives, civic leadership, and the business community to create local champions.

1.3. Element 3 - Legislative Initiatives

EARLY INTERVENTION RECOMMENDATIONS

11. Pursue Legislative Changes to Enhance the Powers of the Landbank Authority

There are a number of legislative priorities related to the expansion of powers granted to land banks under Kentucky statutes. Metro Government should seek changes in the state enabling legislation to allow the Landbank Authority to have more flexibility to acquire, hold, assemble properties, clear title, and repackage real estate for redevelopment.

ACTION PLAN (Next 36 Months):

- Pursue changes to enhance the powers of the Landbank Authority to include:
  - Allowing for the clearance of clouded title to make properties marketable for sale and financing;
  - Removal of limits on timely disposition of property to allow for longer landholding period;
  - Removal of limits on land assemblage for only public parks or public purposes;
  - Removal of limits on Landbank activities by local government (i.e., Landbank may not dispose of property without receiving approval of board members);
  - Removal of restrictions on the Landbank to acquire property for investment purposes;
- Pass a local foreclosure registry ordinance to track homes that have become vacant due to foreclosure.

1.4. Element 4 - Housing Rehabilitation, Construction, Demolition and Catalyst Development

A primary goal of neighborhood revitalization is to preserve and protect the architectural and historical character of the targeted neighborhoods. The recommended approach to housing rehab and new infill construction is one that combines elements of code enforcement, rehab design standards, and preservation or neighborhood conservation. Combining these features will help in protecting the unique character of revitalization neighborhoods. The project approach should include several key elements:

- Encourage architectural sensitivity and rehab standards as part of the overall approach to both minor and major rehabilitation.
- Provide housing counseling that prepares families and individuals to transition from rental to owner-occupancy.
- Create financial incentives that encourage investor-owners to reinvest in their property without having to pass the cost of reinvestment on to lower income tenants.
- Link identification of code violations with financial incentives and technical assistance to encourage reinvestment.
- Market vacant and abandoned homes to moderate/middle income homebuyers to facilitate mixed income households moving into PPAs.

EARLY INTERVENTION RECOMMENDATIONS

12. Establish Rehabilitation and Design Standards and Construction Specifications for Publicly Subsidized Housing Projects

The consultants observed several instances where new housing development was out of scale and character with adjacent properties. Metro Government should establish standards for rehab and redevelopment, which will allow for more consistency in finished standards and ensure that new/infill construction does not disrupt the fabric of the local community. Where the Department of Community Services and Revitalization is providing resources to enable the rehab activity, there is a greater ability to establish and enforce standards around building, construction and architecture, as well as green/sustainability practices.

The purchase of a Metro-owned property by a for-profit entity, a nonprofit organization, or a prospective homebuyer should be closely monitored, especially for those projects receiving public funding or other subsidies. This could include the preparation of plans and construction specifications on the basis of guidelines and specifications that meet the criteria established by Metro Government. The use of a nonprofit development corporation is often a key element in the early intervention of neighborhood redevelopment because of their willingness to take on more risk than most for-profit builders and developers. The rehabilitation process should include the preparation of detailed work write-ups and construction specifications to guide all rehab projects. The use of design standards for all renovations should also be considered as part of any work. The City's willingness or interest in setting such standards should be driven, in part, by the community's desire to see its character preserved.

13. Establish Criteria for Targeting and Evaluating Housing Demolition Candidates.

Neighborhoods that show clear signs of blight caused by vacant and abandoned housing require a very deliberate stabilization strategy before it can be successfully marketed to investors, builders, developers, or new homebuyers. More importantly, stabilizing a neighborhood is critical to existing homeowners or investor-owners making a decision to invest in their own property.

Wholesale demolition is not encouraged since the best way to protect a neighborhood's history and culture is through the rehabilitation of its existing housing stock. However, an existing conditions assessment of a building to determine the feasibility of rehabilitation is an essential part of making sure good housing stock is saved for future redevelopment. It is just as useful to determine the housing stock that cannot be feasibly renovated or restored; and recommend these structures for demolition as part of the initial strategy to stabilize the neighborhood.

Criteria should be established for targeting and evaluating housing demolition candidates based on the following criteria:

- Threat to public health, safety, and welfare;
- Contributing to neighborhood blight;
- Potential crime threat;
- Located in a Project Priority Area;
- Has unpaid tax and abatement liens;
- Going through municipal foreclosure;
- Not a contributing structure to an established historic district; and
- Property has redevelopment value as part of a larger (re)development project.

14. Prepare Request for Qualifications to Solicit Key Housing Development and Redevelopment Partners

Metro Government should prepare a Request for Qualifications to solicit key housing development partners. This RFQ should include guidelines around production capacity, counseling capacity, access to funding, marketing, sales, property management, etc. Through interviewing a number of qualified housing developers, Metro Government can determine the proposed project approach and the level of project related assistance and subsidies needed.

LONG-TERM RECOMMENDATIONS

15. Establish Process and Requalification Procedures for Annual Developer Participation

Building the capacity of community-based, non-profit development corporations is an important part of the long-term strategy for neighborhood redevelopment. Capacity building should be provided in the following areas:

- Homebuyer pre/post purchase counseling
- Assemblage of property for development
- Affordable in-fill new construction
- Renovation of vacant houses

- Economic development projects
- Repair of occupied houses

Although local government/private sector intentions are for the good of the community, their roles are often misunderstood by local residents, and generally linked to past experiences. An effective CDC can act as an intermediary to help translate programs and strategies into terms and conditions that residents can understand and believe.

16. Establish Regulatory and Site Planning Framework to Guide Neighborhood Redevelopment and Reinvestment

Many of the neighborhoods experiencing high concentrations of vacant and abandoned houses have a number of historically significant buildings. However, many of these buildings are showing signs of years of deferred maintenance and neglect. While Louisville has an impressive collection of architecturally significant buildings throughout its urban core neighborhoods, a number of these homes are being lost to demolition. In addition to a deteriorating older housing stock, new development is often constructed without consideration of the architecture and design of the surrounding existing homes.

Because a large number of occupied homes needing minor to major rehabilitation are located in neighborhoods with fairly high numbers of vacant buildings, there are opportunities to create a "Model Block" neighborhood redevelopment initiative that features investment in occupied homes needing moderate repairs and the rehabilitation of vacant homes need major rehabilitation. The objective of a Model Block Project would be to demonstrate the application of this initiative to other neighborhoods throughout Louisville.

The model block project approaches urban revitalization on a block or street level and plans the activities in much the same way as a master developer. Metro Government, through LouisvilleNOW, would prepare the site plans and assemble land as necessary. The renewal authority would provide construction drawings, establish housing rehabilitation and design standards, solicit builders and developers and provide subsidies where necessary to achieve the revitalization goals and to attract private money.

ACTION PLAN (Next 36 Months):

- Establish process and qualifications for developer participation.
- Prepare Request for Qualifications to solicit key housing development and redevelopment partners. RFQ to include qualification guidelines (e.g. production capacity, counseling capacity, access to funding, market, sales, property management experience).
- Establish rehab standards, construction practices, and design standards.
- Undertake a selective housing demolition program to reduce blight and crime and create redevelopment opportunities.

ACTION PLAN (Years 4-10):

- Establish process and re-qualifications procedures for annual developer participation.
- Create a program to encourage joint ventures between non-profit and for-profit developers on urban redevelopment projects.
- Design and adopt a Pattern Book to be used by any developer accepting public funding for redevelopment.
- Review the potential to adopt a Neighborhood Conservation Zoning Overlay to reinforce planned neighborhood growth/redevelopment.
- Establish marketing and branding strategy to build neighborhood assets to attract new investment.
- Prepare scope of work to manage Landbank assets during holding period prior to development, including grass cutting, winterizing, boarding, and stabilizing.

1.5. Element 5 - Funding

The level of resources required to address the VAP problem will depend on the size and complexity of Metro Government's role, but at the high end could require hundreds of millions of dollars. During the first 18 months, Metro Government will be expected to fill the VAP Coordinator position, and perhaps an assistant, to begin organizing the initiative and setting short- and long-term priorities. During the first two to three years, much of the project-based activities will be funded through existing budgets and by shifting department responsibilities where possible until major project initiatives have been identified. Once these major initiatives have been identified, larger funding sources will be required.

Over the long-term, Metro Government needs to explore financial strategies that will support the larger public investments required to have a significant impact. Such strategies will have to consider utilizing Metro's bonding capacity, or the bonding capacity of a new redevelopment entity to finance new project initiatives. It is estimated that between \$200 and \$300 million in public resources may be required to leverage an additional \$300 million to \$1.5 billion in private, foundation and other financial commitments over the next 20 years to revitalize some of Louisville's most challenged neighborhoods.

Many cities use tax increment financing (TIF) as part of their redevelopment strategies, especially for large economic development projects. Kentucky cities, including Louisville, have also used TIFs for economic development projects, but Kentucky law restricts TIF to only certain types of projects. Further, TIF in Kentucky may be less attractive and effective than in other states because Kentucky generally has lower state and local property taxes as compared to other states. We recommend interested parties explore the possibility of expanding Kentucky TIF statutes to include smaller scale, residential or mixed used redevelopment and whether or not TIFs could be successfully used for neighborhood revitalization in Kentucky.

EARLY INTERVENTION RECOMMENDATIONS

17. Secure Potential and Existing Funding Sources to Direct Toward Implementation Activities, Including Resource Re-allocation and Identifying New Funding Opportunities.

Urban revitalization often requires public investments to improve infrastructure, provide amenities, and/or subsidize development activity. While not the primary source of funding, Metro should be prepared to play a financial role, particularly to advance its revitalization priorities or when no other funding source exists.

18. Determine the Types of Assistance and Development Subsidies Provided by Metro Government

In order to entice early revitalization activity in declining neighborhoods, Metro Government will need to provide a number of financial incentives; some of them direct and other indirect, to future revitalization partners. This will be necessary to reduce development risk and to remove barriers that could stop or slow redevelopment.

LONG-TERM RECOMMENDATIONS

The Cost of Doing Nothing

Louisville Metro Government's ability to make long-term funding commitments to neighborhood revitalization will depend on several factors. Number one, what level of public and political support will there be for these initiatives in the face of other competing public priorities and financial commitments? Secondly, what costs will be incurred by Metro Government in the future, irrespective of any additional funding commitments? In other words, what would be the cost to local taxpayers for taking no additional action, if that were possible.

Currently, Metro Government is spending several million dollars annually to fund a variety of code enforcement, demolition, and foreclosure and property maintenance activities on more than 6,000 vacant properties throughout Louisville. In addition, the Department of Community Services & Revitalization spends another $11 million annually to fund community development, housing and neighborhood revitalization activities, primarily with the use of federal HUD entitlement money.[1]

Over time, continued neighborhood decline will extract a cost from the community, either through direct budget appropriations or through the erosion of property values, increased crime and a multitude of social problems. With nearly $11 billion in urban residential assessed value located within the I-264 loop, just a 1% decline in values results in a loss of $110 million in assessed value. A decline in real property values of 1% would translate into a potential loss of over $1.4 million in annual tax revenues to local government.[2] If this amount was used to retire municipal bond debt, it could support a 20-year bond issuance of nearly $30 million. With several neighborhoods in West Louisville experiencing assessed value losses of between 4% and 17% in 2013, the stakes are high and costs are being incurred on both sides of the municipal ledger regardless of annual budget decisions.

ACTION PLAN (Next 36 Months):

- Establish internal policies for investing public dollars in Priority Project Areas.
- Identify range of project activities to be undertaken (e.g., public, private, and non-profit) in each Priority Project Area.
- Establish project tasks for each area and present planning initiatives to the Urban Renewal Commission and Landbank Authority for review.
- Present proposed work plan to Mayor and Metro Council.
- Identify and secure potential and existing funding sources to direct toward early intervention activities.

ACTION PLAN (Years 4-10):

- Create development subsidy support based on leveraging public/private sector investment.
- Capitalize a LouisvilleNOW development fund that is self-sustaining to fund larger redevelopment projects.

B. VAP EARLY INTERVENTION AND LONG-TERM IMPLEMENTATION MATRIX

The following VAP Early Intervention and Long-term Implementation Matrixes contain a series of strategic objectives and the actions necessary to implement a variety of revitalization strategies. The implementation matrix identifies the agencies or organizations responsible for implementation of the above action items, the relative timing of each action, and a rough estimate of cost. The cost estimates are "order of magnitude" estimates for planning purposes only.

[1] E-mail from Robin Grammer, Executive Administrator, LMG Community Services & Revitalization, July 3, 2013.
[2] Estimated assessed value loss taxed at a rate of $1.2921 per $100 in assessed value at current tax rates for Metro Louisville ($0.1255), Urban Service District ($0.3666), School District ($0.70) and Fire District ($0.10).

LOUISVILLE METRO GOVERNMENT VAP EARLY INTERVENTION RECOMMENDATIONS AND ACTION PLAN Short-Term Recommendations (Years 1-3)		Implementation Lead	Implementation Timing (Years)			Estimated Cost
			1	2	3	
ELEMENT 1: ORGANIZATIONAL STRUCTURE AND ADMINISTRATIVE ACTIONS						
Recommendation #1:	**Draft a Memorandum of Agreement (MOA) between the existing Urban Renewal Commission, Landbank Authority and Vacant Property Review Commission to formally define the roles and functions in addressing the VAP problem and Neighborhood Revitalization Needs**					
Action 1:	Establish functional roles, responsibilities and policies for each entity in carrying out coordinated urban revitalization and redevelopment	CSR,VLT,MC,URC,GC, LB,VPRC,URC				Under $25,000
	a. Determine renewable funding sources for Landbank to acquire property in Priority Project Areas (PPAs)					
	b. Establish property acquisition and building demolition goals, policies and procedures including criteria for disposition and development					
	c. Establish process, policies and procedures for management/marketing of Landbank assets during holding period					
	d. Evaluate the need and potential to establish a combined Urban Renewal/Landbank Authority					
Action 2:	Work with key Metro departments to prepare redevelopment master plans and implementation strategies for up to three comprehensive redevelopment initiatives in Priority Project Areas	CSR,EGI				$250,000 to
Action 3:	Hire a VAP coordinator to lead Metro Government's VAP response and serve as staff support to the Landbank Authority, Urban Renewal Commission and Vacant Property Review Commission	CSR				$100,000 to
	a. Ramp up to a full staff that has skill sets to conduct property appraisals, property maintenance, acquisition, legal research					
Action 4:	Expand current VAP Steering Committee into VAP Leadership Team with broader department involvement	MO				$100,000 to
	a. Begin preparing coordinated annual work plans for key Metro departments for years 1-2 and 2-5					
Recommendation #2:	**Establish Enhanced Role and Responsibilities of the Landbank Authority, Inc.**					
Action 1:	*See Recommendation #1, Action 1*					
Action 2:	Select property appraisers, property maintenance, acquisition agent, and real estate attorney to support property acquisition program	LB,CSR,CR				$25,000 to $100,000
Action 3:	Increase Landbank Authority legal staff capabilities to handle larger volumes of property research and title clearance	LB,GC,CSR				$100,000 to
Recommendation #3:	**Establish Role and Responsibility of Planning, Housing, and Neighborhood Development**					
Action 1:	Review regulatory framework of Priority Project Areas to ensure zoning and land use will support VAP initiative	PDS,CSR				Nominal
Action 2:	Establish project management criteria incl. design standards, construction practices, draw procedures, and warranties	PDS,CSR				Under $25,000
Recommendation #4:	**Improve Methods for Tracking Vacant, Abandoned and Foreclosed Properties in High Risk Neighborhoods**					
Action 1:	Pass a local foreclosure registry ordinance to track homes that have become vacant due to foreclosure and update list annually	MC,CR				Under $25,000
Action 2:	Improve data tracking and reporting between Departments involved in VAP, foreclosures, code abatement liens and demolitions - explore potential for a real-time property database that consolidates information from different departments and allows for timely coordination, communication, implementation and project management	CC,CS,CSR,CR,MTS, PVA,AOC				$25,000 to $100,000
Action 3:	Organize grassroots neighborhood block committees to document the existence of poor condition and vacant properties on a quarterly basis	CSR				$25,000 to $100,000
Action 4:	Develop new metrics to assess Metro performance	CSR,EGI,CR				Under $25,000
	a. Number of homes and vacant lots redeveloped in each PPA					
	b. Impact of the VAP intervention including return-on-investment (ROI)					
	c. Temporary and permanent employment created					
	d. Additional public and private partnerships created					
	e. Reduction in Metro Government property maintenance & other expenditures					

Public Implementation Lead - Legend

AOC - Administrative Office of the Courts	CC - County Clerk	CR - Codes & Regs	CS - County Sheriff	CSR - Community Services & Revitalization	EGI- Economic Growth & Innovation
GC - General Counsel/County Attorney	LB - Landbank Authority	LN - LouisvilleNOW	MC - Metro Council	MO - Mayor's Office	MTS - Metro Technology Services
PC - Planning Commission	PDS - Planning & Design Services	PWA - Public Works and Assets	URC - Urban Renewal Commission	VLT - VAP Leadership Team	VPRC - Vacant Property Review Commission

Task Initiated

Task Implemented

** the Innovation Delivery Team will assist lead agencies*

LOUISVILLE METRO GOVERNMENT VAP EARLY INTERVENTION RECOMMENDATIONS AND ACTION PLAN Short-Term Recommendations (Years 1-3)		Implementation Lead	Implementation Timing (Years) 1	2	3	Estimated Cost
ELEMENT 2: COMPREHENSIVE NEIGHBORHOOD REVITALIZATION, PLANNING AND CAPACITY BUILDING						
Recommendation #1:	**Initiate Public Outreach to Revitalization, Development and Lending Community**					
Action 1:	Take immediate action to promote the results of the Early Intervention Strategy and overall VAP vision to all housing and neighborhood revitalization partners	CSR				Under $25,000
	a. Organize a Neighborhood Revitalization Forum to kick-off the release of the VAP Study and Priority Action Plan	MO,CSR				
Action 2:	Convene members of mortgage lending, secondary mortgage market, developers, real estate appraisers to review the City's revitalization strategy in declining neighborhoods and the	CSR,EGI				Nominal
Action 3:	Work with partners to define project priorities and identify (5) potential Project Priority Areas (focus area for a coordinated departmental response in targeted blocks)	CSR,VLT,EGI				Under $25,000
Recommendation #2:	**Identify Priority Project Areas (PPAs)**					
Action 1:	Review consultants' block analysis and marketability data for all designated Neighborhood Revitalization Strategy Area Neighborhoods and select five potential Priority Project Areas (PPAs)	CSR,EGI				Nominal
Action 2:	Adopt decision-making matrix criteria for the selection of three PPAs	CSR,EGI				Nominal
Action 3:	Identify range of project activities to be undertaken (e.g., public, private and nonprofit) in each PPA	CSR,EGI				Under $25,000
Action 4:	Prepare land acquisition and assemblage strategy for each Priority Project Area.	CSR,EGI				Under $25,000
Action 5:	Pursue Shawnee area as first neighborhood revitalization model project	CSR				$1 mil to $5 mil
Recommendation #3:	**Identify Neighborhood Revitalization Strategy Areas to Guide Public and Private Investment Decisions**					
Action 1:	Expand or create new Neighborhood Revitalization Strategy Area (NRSA) Action Plans for VAP Priority Project Areas (within designated NRSA neighborhoods)	CSR				Under $25,000
Action 2:	Integrate job creation opportunities into redevelopment scenarios, i.e. Metrics should be established for each project based on creation of temporary jobs and permanent jobs	CSR,EGI				Under $25,000
Action 3:	Promote public/private partnership opportunities among developers and interest groups, i.e. Metrics should be established regarding the number of additional public and private partnerships	CSR,EGI				Under $25,000
Recommendation #4:	**Establish a Formal Process for Evaluating Specific Target Locations within VAP Priority Project Areas**					
Action 1:	Adopt Decision-Making Matrix approach with pre-development criteria that takes into consideration housing conditions, ability to obtain site control, existing zoning, existing stability factors and infrastructure conditions	CSR,EGI,PDS,PWA				Under $25,000
Action 2:	Assess development project's ability to succeed on the basis of market conditions, market demand, and competitive position	CSR,EGI				Under $25,000
Action 3:	Establish economic development metrics based on selected development project's ability to create jobs, increase human capacity, and quality of life improvements, e.g. reduction in code enforcement complaints, reduction in crime	CSR,EGI				Nominal
Recommendation #5:	**Improve the Capacity of Local Housing Partners to Respond to Revitalization Needs**					
Action 1:	Meet with individual private and non-profit sector developers to review VAP Strategy, potential NRSA areas, and potential programmatic initiatives to pursue	CSR				Under $25,000
Action 2:	Work with individual non-profit housing groups to help define their capacity and project interests related to future housing development, rehabilitation and larger scale revitalization initiatives	CSR				Under $25,000
Recommendation #6:	**Introduce and Market Metro Program to Sell or Dispose Publically-owned VAP Properties not Critical to Redevelopment**					
Action 1:	Adopt "The Lot Next Door" Proagrm to sell or deed lots to adjacent homeowners interested in utilizing VAP lots	CSR,LB				Under $25,000
Action 2:	Adopt "Neighborhood Harvest Program" to support nonprofiorganizations interested in urban agriculture	CSR,LB				Under $25,000
Action 3:	Adopt an "Urban Reforesting/Regreening Progrm" to support the regreening of urban VAP properties	CSR,LB				Under $25,000
Action 4:	Adopt "CDC/CHDO Capacity Building Program" to provide VAP properties to active housing organizations	CSR,LB				Under $25,000
Recommendation #6:	**Improve the Grassroots Capacity of Neighborhood Associations to Undertake Community-based Action**					
Action 1:	Create a Neighborhood Association Round Table Forum (or utilize existing similar platform) in West Louisville to identify revitalization needs and organize grassroots community initiatives	CSR				Under $25,000
Action 2:	Initiate a grassroots capacity building initiative to strengthened the effectiveness of neighborhood associations and local non-profit community development corporations	CSR				$25,000 to $100,000

Public Implementation Lead - Legend

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PC - Planning Commission	PDS - Planning & Design Services	PWA - Public Works and Assets	URC - Urban Renewal Commission	VLT - VAP Leadership Team	VPRC - Vacant Property Review Commission

** the Innovation Delivery Team will assist lead agencies*

Task Initiated

Task Implemented

LOUISVILLE METRO GOVERNMENT VAP EARLY INTERVENTION RECOMMENDATIONS AND ACTION PLAN Short-Term Recommendations (Years 1-3)		Implementation Lead	Implementation Timing (Years)			Estimated Cost
			1	2	3	
ELEMENT 3: LEGISLATIVE INITIATIVES						
Recommendation #1:	**Structure Landbank Legislative Framework to Expedite Property Assemblage in VAP Priority Project Areas**					
Action 1:	Amend Landbank statute to remove limit on land assemblage for only public parks or public purposes	GC,LB,CSR,VLT				Under $25,000
Action 2:	Amend the Landbank statute to remove, or substantially ease, the current limits on timely disposition of property	GC,LB,CSR,VLT				Under $25,000
Action 3:	Amend the Landbank statute to remove the limit on the Landbank activities by local government (i.e., Landbank may not dispose of property within boundaries of local government without	GC,LB,CSR,VLT				Under $25,000
Action 4:	Amend Landbank statute to allow for the clearance of clouded title	GC,LB,CSR,VLT				Under $25,000
Action 5:	Amend Landbank statute to remove restrictions on Landbanks to acquire property for "investment purposes" only	GC,LB,CSR,VLT				Under $25,000
Action 6:	Amend Landbank statute to allow for the capture of 50% of real estate taxes for 5 years after the sale of Landbank properties	GC,LB,CSR,VLT				
ELEMENT 4: HOUSING REHABILITATION, CONSTRUCTION, DEMOLITION AND CATALYST PROJECTS						
Recommendation #1:	**Establish Process and Qualifications for Developer Participation**					
Action 1:	Determine target blocks based on block analysis data, current/proposed redevelopment projects, and ability to secure site control	CSR,EGI				Under $25,000
Action 2:	Prepare Memorandum of Understanding that outlines roles, responsibilities and minimum qualifications for developer participation	CSR,EGI				Nominal
Action 3:	Prepare Request for Qualifications to solicit key housing development partners. RFQ to include qualification guidelines (e.g. production capacity, counseling capacity, access to funding, market,	CSR				$25,000 to $100,000
Action 4:	Select 3 to 5 qualified housing developers to participate in interview sessions to determine their proposed project approach and the level of project-related assistance needed	CSR				$25,000 to $100,000
Recommendation #2:	**Establish Rehab Standards, Construction Practices, and Design Standards**					
Action 1:	Incorporate existing or prepare new rehab standards and construction specifications for VAP housing development	CSR,PDS				Under $25,000
Action 2:	Establish design standards that build on the architectural character of the priority project area neighborhoods	CSR,PDS				Under $25,000
Action 3.	Establish site plan guidelines that reinforce existing development patterns and encourage green building	CSR,PDS				Under $25,000
Recommendation #3:	**Undertake a Selective Housing Demolition Program to Reduce Blight and Crime and Create Redevelopment Opportunities**					
Action 1:	Establish criteria for targeting and evaluating housing demolition candidates based on the following criteria: (1) threat to public health, safety & welfare, (2) contributing to neighborhood blight, (3) potential crime threat, (4) located in Project Priority Area, (4) vacant & abandoned and/or has unpaid tax and abatement liens, (5) going through municipal foreclosure, (6) not a contributing structure to established historic district, and (7) property has redevelopment value as part of larger (re)development project	CSR,PDS,CR				Under $25,000
Action 2:	Prepare demolition target list based on above criteria and begin property research	CSR,CR				Under $25,000
Action 3:	Take appropriate actions to demolish structures in order to remove threats or acquire properties for inclusion in Landbank inventory	CSR,CR				$1 mil to $5 mil
ELEMENT 5: FUNDING						
Recommendation #1	**Identify Funding Policies and Sources for VAP Housing Revitalization Funding**					
Action 1:	Establish internal policies for investing public dollars in Project Priority Areas	VLT,CSR,OMB				Nominal
Action 2:	Present proposed work plan to Mayor and City Council with VAP Leadership Team's recommendations	VLT,CSR,OMB				Nominal
Action 3:	Identify funding sources to direct toward early intervention activities (resource re-allocation)	VLT,CSR,OMB				Nominal
Action 4:	Review entitlement program funding to determine set aside for VAP Housing Revitalization Funding	CSR				Nominal
Action 5:	Review housing development opportunities to determine if LIHTC are applicable funding source for selected priority development areas	CSR				Nominal
Action 6:	Establish lending pool of local bank, foundations, and national funding sources to leverage public funding	CSR				Under $25,000
Action 7:	Lay groundwork to identify new funding sources for property acquisition and redevelopment (e.g., TIF, bonds, new fees, etc.)	VLT,CSR,OMB				Nominal
Recommendation #2:	**Identify Sources for Development Subsidies Including CDBG, HOME, NSP, etc.**					
Action 1:	Establish subsidy amounts per project on the basis of development objectives	CSR,EGI				Nominal
Action 2:	Consider other forms of subsidies to reduce project development risk, including construction interest payments	CSR,EGI				Nominal
Action 3:	Determine whether development subsides will be recaptured	CSR,EGI				Nominal
Action 4:	Establish affordability period for each form of development subsidy used	CSR,EGI				Nominal
Action 5:	Determine assistance to homebuyers to encourage homeownership	CSR,EGI				Nominal
Action 6:	Determine assistance to small investors to encourage rehab of existing vacant buildings for rental	CSR,EGI				Nominal
Recommendation #3:	**Attract Long-Term Financing to Priority Project Areas**					
Action 1:	Convene local lenders to familiarize them with overall goals and objectives of project	CSR,EGI				Under $25,000
Action 2:	On the basis of a risk sharing strategy, secure commitments for long-term financing for qualified builders/developers	CSR				Nominal
Action 3:	Establish Memorandum of Understanding with preferred Priority Project Area lenders	CSR				Nominal
Recommendation #4	**Establish innovative funding techniques to finance major economic development and neighborhood redevelopment projects and administrative expenses**					

Public Implementation Lead - Legend

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Task Initiated

Task Implemented

** the Innovation Delivery Team will assist lead agencies*

LOUISVILLE METRO GOVERNMENT VAP LONG-TERM RECOMMENDATIONS AND ACTION PLAN Long-Term Recommendations (Years 4-10)		Implementation Lead	Implementation Timing (Years)							Estimated Cost
			4	5	6	7	8	9	10	
ELEMENT 1: ORGANIZATIONAL STRUCTURE AND ADMINISTRATIVE ACTIONS										
Recommendation #1:	**Establish LouisvilleNOW as a combined Urban Renewal Authority combining the Landbank Authority, Vacant Property Review Commission and the existing Urban Renewal Commission to lead urban redevelopment activities in high risk neighborhoods**									
Action 1:	Establish "LouisvilleNOW" combined redevelopment authority to address the needs of urban blight, property vacancy and abandonment and economic development in Louisville's neighborhoods	CSR,MC,URC,GC,EGI								$250K to $500K
Action 2:	Appoint a 5-person board of directors to create and incorporate the urban renewal authority and expand the board to 11 members after Year 5 with broader community membership	LN,URC,LB,VPRC								Nominal
Action 3:	Prepare a development plan to guide renewal authority actions per KRS 99.030	LN,CSR,PDS,EGI								$250K to $500K
Action 4:	Incorporate the Landbank Authority and the Vacant Property Review Commission as part of the LouisvilleNOW urban renewal authority and unify board	GC,MC,UC,LB,VPRC								Nominal
Action 5:	Hire a director and professional staff to manage the day-to-day operations of LouisvilleNOW and Landbank Authority in revitalization priority areas	CSR,VLT,EGI								$250K to $500K
Recommendation #2:	**Establish an integrated role and mission for the Landbank Authority, Inc., within the context of a combined urban renewal authority**									
Action 1:	Determine renewable funding sources for Landbank to acquire VAP and other property in Priority Project Areas	MC,LB,GC								Nominal
Action 2:	Establish property acquisition goals, policies and procedures including criteria for disposition and development	LB,CSR,EGI								Nominal
Action 3:	Establish process, policies, and procedures for management of Landbank assets during holding period	LB,CSR,GC,EGI,CR								Nominal
Action 4:	Select property appraisers, property maintenance, acquisition agent, and real estate attorney to support property acquisition program	LB,CSR,EGI								$100K to $250K
Action 5:	Increase Landbank Authority legal staff capabilities to handle larger volumes of property research and title clearance	CSR,LB,GC								$100K to $250K
ELEMENT 2: COMPREHENSIVE NEIGHBORHOOD REVITALIZATION, PLANNING AND CAPACITY BUILDING										
Recommendation #1:	**Plan Model Block Developments to Encourage Public/Private Investment**									
Action 1:	Prepare detailed schematic site plans and building design to create long range vision for catalytic redevelopment sites	LN,CSR,EGI								$250K to $500K
Action 2:	Retain architect to create series of construction drawings to be used by developers as a means to reinforce long range vision of development sites	LN,CSR,EGI								$25K to $100K
Action 3:	Provide predevelopment services such as rezoning, architectural services, land assembly, market analysis and financial incentives designed to encourage private sector participation by banks, mortgage lenders and private developers.	LN,CSR,EGI								$500 to $1mil
Recommendation #2:	**Establish a Core Project Management Team Consisting of Metro Govt. Staff Critical to Redevelopment**									
Action 1:	Meet monthly to assess collaborative approaches needed to support PPAs, including strategies to encourage public/private investment	LN,CSR,EGI								< $25,000
Action 2:	Coordinate property acquisition strategy, including long-term Landbanking, through Landbank Acquisition Agent	LN,CSR,EGI								Nominal
Action 3:	Retain VAP Coordinator to work exclusively on coordinating and facilitating all aspects of comprehensive neighborhood redevelopment	CSR								$25K to $100K
Recommendation #3:	**Establish Forum for Local Development Partners to Expand Capacity**									
Action 1:	Organize quarterly and annual forums for Priority Project Area-based training that address local challenges	LN,CSR,HO								< $25,000
Action 2:	Create relationships with local chapters of AIA, ULI, and APA as mechanism to introduce private sector best practices to the non-profit development community	LN,CSR,HO								Nominal
Action 3:	Prepare Market Research Reports for key economic development and residential development sectors of PPA as a means to guide market driven reinvestment decisions	LN,CSR,EGI								$100K to $250K
Recommendation #4:	**Work with Political Representatives, Civic Leadership, and Business Community to Create Local Champions**									
Action 1:	Prepare fact sheets on current neighborhood conditions that include both challenges and strengths	CSR								< $25,000
Action 2:	Establish vision for neighborhood reinvestment and conduct neighborhood-based forums for political representatives, civic leadership, and business community to inform them of long term reinvestment strategy	CSR,EGI								< $25,000
Action 3:	Prepare plan of action that prioritizes specific PPAs over a 7-year period, e.g. dedicating a significant share of time, energy, and resources to one neighborhood annually as a long term strategy	CSR,EGI								< $25,000
Action 4:	Conduct outreach to local business, church, civic, lending and neighborhood leaders to champion, support and sponsor local revitalization efforts	CSR,EGI								< $25,000

Public Implementation Lead - Legend

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PC - Planning Commission	PDS - Planning & Design Services	PWA - Public Works and Assets	URC - Urban Renewal Commission	VLT - VAP Leadership Team	VPRC - Vacant Property Review Commission

Task Initiated

Task Implemented

LOUISVILLE METRO GOVERNMENT VAP LONG-TERM RECOMMENDATIONS AND ACTION PLAN Long-Term Recommendations (Years 4-10)		Implementation Lead	Implementation Timing (Years) 4	5	6	7	8	9	10	Estimated Cost
ELEMENT 4: HOUSING REHABILITATION, CONSTRUCTION, DEMOLITION AND CATALYST PROJECTS										
Recommendation #1:	**Establish Process and Re-Qualifications Procedures for Annual Developer Participation**									
Action 1:	Require the submission of annual audited financial statements to determine fiscal status of participating non-profit developers	CSR	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Nominal
Action 2:	Require the submission of annual Plan of Action to ensure proposed work program of participating developer is consistent with overall objectives of Metro	CSR	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Nominal
Action 3:	Establish long range metrics for each participating non-profit development partner that includes real estate production goals, sales, rental, quality of services, and qualifications of staff	CSR	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	Nominal
Action 4:	On the basis of an annual review, provide a long range plan of action to increase the capacity of participating developers, e.g. green sustainability practices, construction oversight, property maintenance practices	CSR	Initiated	Initiated						< $25,000
Recommendation #2:	**Create a Program to Encourage Joint Ventures Between Non-Profit and For-Profit Developers on Urban Redevelopment Projects**									
Action 1:	Convene meeting with non-profit and for-profit developers to investigate future joint venture opportunities	CSR,EGI		Initiated						< $25,000
Action 2:	Require joint ventures on larger revitalization projects utilizing public funds, particularly in urban areas	CSR,EGI		Initiated						Nominal
Action 3:	Require developers responding to publically-sponsored developer RFPs to submit a joint venture plan as part of their proposal and give preference to responsible joint ventures	CSR,EGI		Initiated	Implemented	Implemented	Implemented	Implemented	Implemented	Nominal
Recommendation #3:	**Establish Regulatory Framework to Guide Redevelopment and Reinvestment**									
Action 1:	Design and adopt a Pattern Book to be used by any developer accepting public funding for redevelopment	CSR,PDS	Initiated	Initiated						$25K to $100K
Action 2:	Review current land use and zoning for priority development areas to determine future zoning/land use requirements	CSR,PDS	Initiated	Initiated						Nominal
Action 3.	Consider Neighborhood Conservation Zoning Overlay to reinforce planned neighborhood growth/redevelopment	CSR,PDS		Initiated	Initiated					< $25,000
Recommendation	**Create Annual Work Plan for Priority Project Area (PPA)**									
Action 1:	Update inventory of vacant buildings and lots to determine annual inventory of property needed for develop.	CSR,CR	Initiated	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	< $25,000
Action 2:	Prepare block analysis for each PPA that includes analysis of before/after streetscape	CSR,CR	Initiated	Initiated	Initiated					$25K to $100K
Recommendation #5:	**Package Select Projects within Priority Project Development Areas**									
Action 1:	Use Landbank to assemble property within 1/4 mile radius of priority project development sites	CSR,LN,EGI	Initiated	Implemented						$500 to $1mil
Action 2:	Design preferred redevelopment patterns, land uses, and design character as part of solicitation for developers	CSR,LN,EGI	Initiated	Implemented						Nominal
Recommendation #6:	**Establish Marketing and Branding Strategy to Build on Neighborhood Assets to Attract New Investment**									
Action 1:	Conduct market research to determine profile of new homebuyer and renters most interested in PPAs	CSR	Initiated	Initiated	Implemented	Implemented				$25K to $100K
Action 2:	Prepare collateral materials and manage PPA marketing & branding campaign	CSR		Initiated	Implemented	Implemented				$25K to $100K
Recommendation #7:	**Establish Real Estate Asset Management Capability**									
Action 1:	Prepare scope of work to manage Landbank assets during holding period prior to development, including grass cutting, winterizing, boarding, and stabilizing	CSR,LB,LN,CR	Initiated	Implemented	Implemented	Implemented	Implemented	Implemented	Implemented	$250K to $500K
Action 2:	Prepare RFP to solicit non-profit developers to provide Asset Management Services	CSR,LB,TN		Initiated	Implemented	Implemented				< $25,000
Action 3:	Create program to train under-employed and un-employed workers to deconstruct vacant buildings that cannot be feasibility renovated	CSR		Implemented	Implemented	Implemented				< $25,000

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Task Initiated

Task Implemented

LOUISVILLE METRO GOVERNMENT VAP LONG-TERM RECOMMENDATIONS AND ACTION PLAN Long-Term Recommendations (Years 4-10)	Implementation Lead	Implementation Timing (Years)							Estimated Cost
		4	5	6	7	8	9	10	
ELEMENT 5: FUNDING									
Recommendation #1 Identify Funding Sources for VAP Housing Revitalization									
Action 1: Establish a process to rotate the prioritization of federal funding on an annual basis for PPAs	CSR								Nominal
Action 2: Work with State Housing Finance Agency to set aside allocation of 4% and 9% LIHTC funding for PPAs. Set-aside would be in conjunction with PPAs receiving prioritization of annual local government allocation	CSR								Nominal
Action 3: Work with local lenders to establish consortium of construction & mortgage funding for PPAs	CSR,EGI								Nominal
Recommendation #2: Create Development Subsidy Support Based on Leveraging Public/Private Sector Investment									
Action 1: In collaboration with private sector lending partner - assess level of public sector investment needed	CSR,EGI								< $25,000
Action 2: Acquire land and subordinate land cost to construction and permanent mortgage as a basis of subsidy	CSR,EGI								$1mil to $5mil
Action 3: Provide infrastructure funding as means of incentive for private sector investment	CSR,EGI								$1mil to $5mil
Action 4: Consider redevelopment strategies involving Land Trust as a tool to ensure long term affordability	CSR,EGI								Nominal
Action 5: Determine 5 year strategy to reduce amount of public sector subsidy needed to induce private sector investment	CSR,EGI								< $25,000
Recommendation #3: Work with Local Lenders, Private Mortgage Insurance Companies, and Secondary Market to increase Private Sector Participation									
Action 1: Mayor convenes local lenders, PMI representatives, Fannie Mae and Freddie Max to review impediment of local lenders to make loans in PPA, e.g. appraisals, loan to value ratios, perceived underwriting risk	MC,CSR,EGI								Nominal
Action 2: With local lender(s) - create series of construction and permanent loan products that tailored to underwriting risks associated with lending in PPAs	LB,CSR,HO,EGI								>$5mil
Recommendation #4: Capitalize a LouisvilleNOW Development Fund that is Self-Sustaining to Fund Larger Redevelopment Projects									
Action 1: Study long-range funding options for urban redevelopment and affordable housing	VLT,MC,OMB								< $25,000
Recommendation #5: Explore Options for Potential New Ways to Process Delinquent Tax Liens	VLT,MC,OMB,GC								

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Task Initiated

Task Implemented

A. DEMOGRAPHIC TRENDS AND CHARACTERISTICS

1. Introduction and Methodology

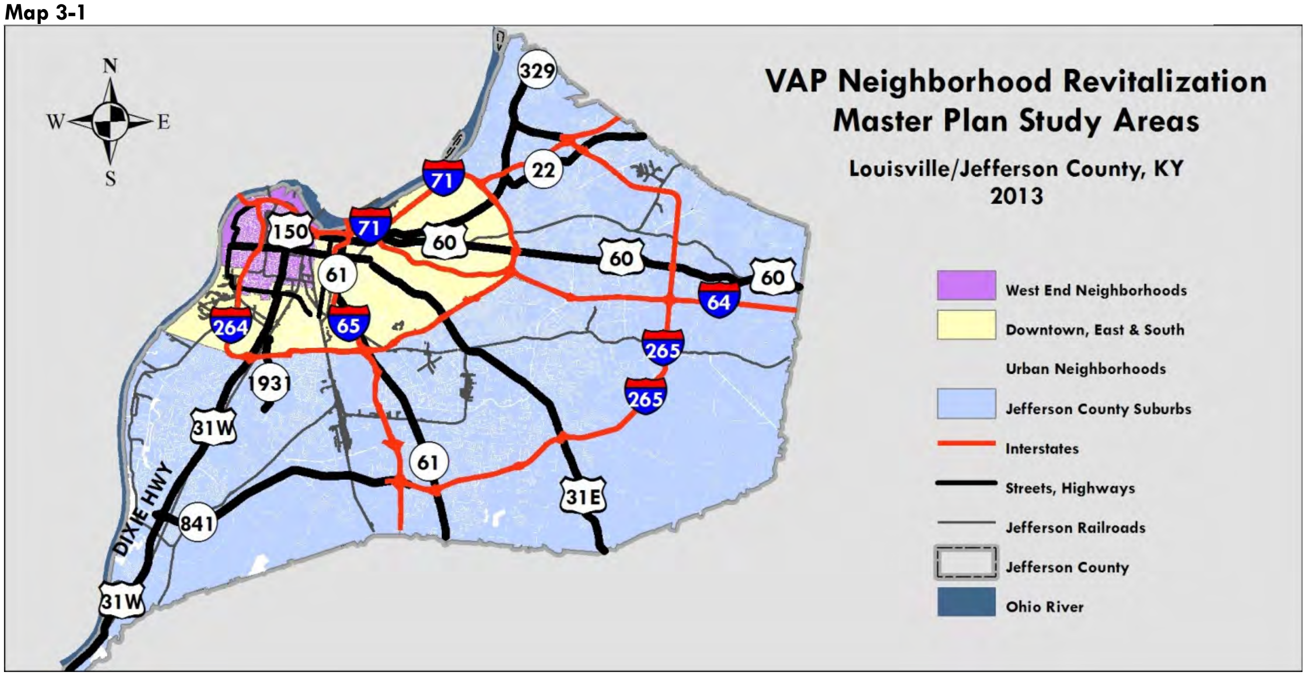
1.1. Introduction

The following chapter analyzes demographic trends and projections in areas such as population, households, income, education attainment, employment and economic base data. The data provides insight into local growth trends as well as projected future growth patterns. These factors provide the framework for understanding real estate activity as well as demographic and economic changes in the city and county. The consultant team utilized several public and private data sources to complete the analysis, including the U.S. Census Bureau and Esri[1].

1.2. Methodology

Population, household, and income trend data was collected from the U.S. Census Bureau and Site to Do Business. Much of the data provided by Site to Do Business consists of data from the U.S. Census Bureau provided in a summarized form presented for users in the real estate industry. Site to Do Business incorporates projection models developed by Esri, which RKG Associates uses for this report unless otherwise noted. In all cases, 1990 data has been converted to 2000 census geographies. Also, while 2010 Census data was used throughout this section, the 2010 data for income and educational attainment reflects Esri estimates based on 2000 Census data. Data in tables are generally categorized by study area: West Louisville neighborhoods; Downtown, East & South Urban neighborhoods; Jefferson County suburbs; and Louisville-Jefferson County as a whole (Map 3-1).

Map 3-1



Source: LOJIC & RKG Associates, Inc., 2013

[1] Esri is an internationally recognized socioeconomic and market data vendor. They apply a propriety methodology to develop projections based on existing Census data.

2. Population and Household Trends

2.1. Population Trends

Between 1990 and 2010, the West Louisville neighborhoods and Downtown, East, and South Urban neighborhoods experienced a decline in population (16.3% and 4.4% respectively), while the population in the Jefferson County suburbs increased by 22.8%. Louisville-Jefferson County as a whole experienced an increase in population of 11.5% over the same 20-year period. Population is projected to increase between 1% and 3% between 2012 and 2017. Table 3-1 illustrates population trends and projections from 1990-2017.

Table 3-1
Population Trends and Projections
Comparative Neighborhoods; 1990-2017

	West End Neighborhoods	Downtown, East, and South Urban Neighborhoods	Jefferson County Suburbs	Jefferson County
POPULATION				
2017 Projection	56,474	184,061	532,318	770,630
2012 Estimate	55,543	179,531	513,628	746,614
2010 Census	55,710	178,948	508,468	741,096
2000 Census	61,135	182,243	452,579	693,604
1990 Census [1]	66,542	187,204	413,970	664,937
GROWTH RATE				
1990 - 2010	-16.3%	-4.4%	22.8%	11.5%
2012 - 2017	1.7%	2.5%	3.6%	3.2%
2010 - 2012	-0.3%	0.3%	1.0%	0.7%
2000 - 2010	-8.9%	-1.8%	12.3%	6.8%
1990 - 2000	-8.1%	-2.7%	9.3%	4.3%
AVERAGE ANNUAL GROWTH RATE [2]				
1990 - 2010	-0.8%	-0.2%	1.1%	0.6%

Source: U.S. Census Bureau, ESRI, and RKG Associates, Inc., 2013
[1] 1990 Census data converted to 2000 geographies
[2] Uses census data and estimates

2.2. Household Trends

From 1990 to 2010, there was a 9.6% decrease in the number of households located in the West Louisville neighborhoods, while the number of households in the Downtown, East, and South Urban neighborhoods decreased by just over 2%. Conversely, the suburbs increased in number of households by 13.4% during the same time period. Similar to estimated and projected population trends, the number of households was estimated to remain roughly the same for all study areas in 2012 and is projected to increase between 1% and 4% between 2012 and 2017 (Appendix Table 3-1).

2.3. Racial Composition of Households

The West Louisville neighborhoods contained the highest concentration of minority persons, including African Americans, in the Metro Louisville area. Since 1990, white persons have made up over 70% of the county's population. However, in all areas, the percentage of white persons has decreased over time. At the county level, white persons made up 81% of the population in 1990 but by 2010 this had dropped to 71%. In 2010, when the census began using category of "Hispanic Only", the "Hispanic Only" category was the largest non-White ethnic category other than African American in all areas (Appendix Tables 3-2 to 3-5).

2.4. Average Household Size

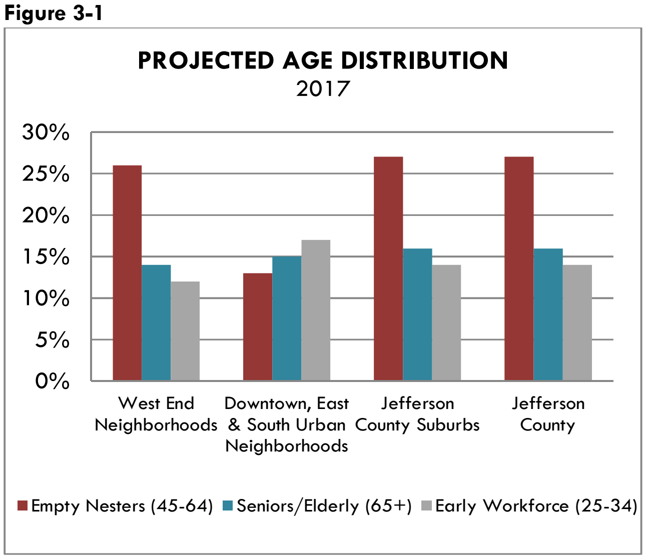
From 1990 to 2010, all areas experienced a decrease in average household size (ranging from 4% to 8%), with an overall decrease for Jefferson County of approximately 5%. The West Louisville neighborhoods showed the largest decline in household size, of about 8%, while the Downtown, East, and South Urban neighborhoods showed the smallest decline at 4.1%. This data mirrors national trends towards smaller household size due to an aging population and more non-family households. West Louisville neighborhoods consistently had the largest average household size, about 2.52 persons per household, while the Downtown, East, and South Urban neighborhoods consistently had the smallest average household size, or about 2.08 persons per household. Average household size for 2017 is projected to show no change in any of the study areas or for Jefferson County as a whole (Appendix Table 3-1).

2.5. Age Distribution of Population

Between 1990 and 2010, the proportion of school age children remained constant at approximately 20% in Jefferson County. Estimates for 2012 and projections for 2017 suggest that school age children will remain at around 19% of the population. Roughly similar trends in this sizable age group were seen in all study areas.

Conversely, the proportion of empty nesters (45-64) grew from 19.6% in 1990 to 27.3% by 2010 – the largest age group in Jefferson County. In general, the percentage of empty nesters in all study areas have grown similarly during this period of time. However, in the Downtown, East and South Urban Neighborhoods, empty nesters made up a smaller proportion of the area's population between 2000 and 2010, ranging from 9% to 15%. This is approximately 10% less than all other areas in Louisville. Looking forward, estimates for 2012 and projections for 2017 suggest that the proportion of empty nesters in all study areas will remain at 2010 levels (Figure 3-1, Appendix Tables 3-6 to 3-9).

Figure 3-1

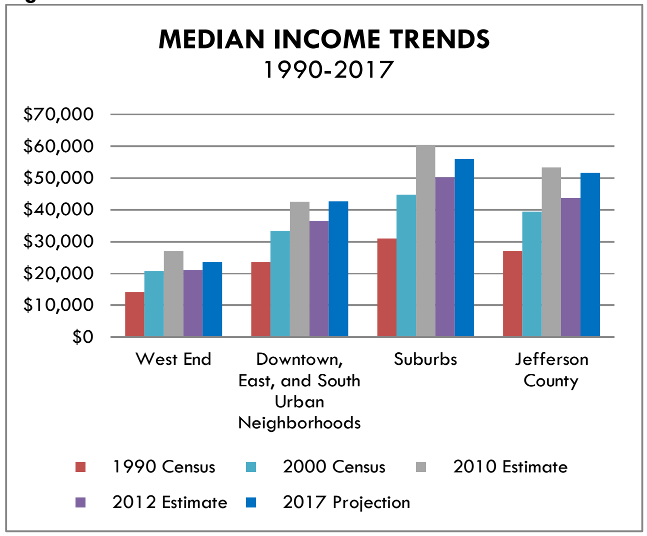


Source: U.S. Census Bureau and RKG Associates, Inc., 2013

2.6. Median Household Income

As discussed in the methodology section, income data for the study areas was provided by the U.S. Census Bureau for 1990 and 2000. For 2010, Esri estimated income data based on 2000 Census data and used estimates and projections for 2012 and 2017 based on American Community Survey (ACS) 5-year estimates. Therefore, as seen in Figure 3-2, there was a decrease of roughly $7,000 to $10,000 in median household income between 2010 and 2012 in all areas. Based on a discussion with an Esri demographer and a review of their methodology, this

Figure 3-2



Source: U.S. Census Bureau and RKG Associates, Inc., 2013

drop can be explained at least partially by a difference in methodology and the fact that 2000 Census data does not reflect the impact of the recession, while later ACS data does. Given the difference in methodology, the analysis of the change in median income will be between 2000 and 2010.[2,3]

The entire region experienced a growth in median income from 1990 to 2010, with the smallest estimated increase in the West Louisville neighborhoods of $12,862. All other areas in Jefferson County saw an estimated increase of at least $18,993. The median income in West Louisville was consistently and notably less than all other areas. In 2012, median income for West Louisville neighborhoods was estimated to be $20,991. However, for the Downtown, East, and South Urban neighborhoods and the suburbs, the median income was estimated to be notably higher, $36,488 and $50,268, respectively. All study areas are projected to show an increase in median income in 2017 from 2012 estimates, with the West Louisville median income still almost $20,000 less than the surrounding urban neighborhoods, and nearly $30,000 less than the suburban neighborhoods and Jefferson County as a whole (Figure 3-2, Appendix Tables 3-10 to 3-14).

[2] Lynn Wombold, ESRI. August, 13, 2013.
[3] *Esri Demographic Updates: 2012/2017*. November 2012.

2.7. Persons Living In Poverty

Between 1990 and 2000, the proportion of households living in poverty decreased by only about 2% in Jefferson County. The largest concentration of households living below the federal poverty line, over 30%, was located in the West Louisville neighborhoods. This represented nearly two times the concentration of households living in poverty in the Downtown, East and South Urban neighborhoods and Jefferson County as a whole and three times the proportion of the total households living in poverty in the suburbs. Of the 33% of households living in poverty in the West Louisville neighborhoods in 2000, most are either a female householder with no husband or non- family households. Additionally, these two household types made up most of the households in poverty in all areas of Jefferson County during this time period. (Appendix Tables 3-15 to 3-19).

2.8. Educational Attainment

In 1990 there was a significant disparity between the three study areas in terms of the percentage of persons 25 years and older attaining at least a high school diploma. In fact, in 1990 only 52.9% of West Louisville residents had attained that level of education, while 73.6% of Downtown and 77.6% of suburban residents had at least a high school diploma or better. However, over the past two and a half decades, education attainment has risen in all three areas, with the biggest gains occurring in West Louisville. In 2010, Esri estimated that 72.5% of West Louisville residents had at least a high school diploma, which still lags behind the Downtown (86.5%) and Jefferson County suburbs (88.7%), but indicates that the gap is narrowing.

Historically, the West Louisville neighborhoods have had the lowest percentage of persons with post-secondary education. In 1990, roughly 8.7% of West Louisville residents had attained an associate degree or higher. This percentage had increased to 14.2% by 2010. During the same year, residents in the Downtown (40.2%) and Jefferson County suburbs (35.4%) fared much better with a greater percentage of persons with more than a high school diploma. Given the presence of the University of Louisville in the Downtown study area, it is not surprising that education attainment would be higher in that location. However, because of the strong correlation between education levels and income potential, areas with higher education attainment and income will often have resident populations with a greater ability to pay for homeownership and the regular maintenance associated with property ownership.

3. Implications

In viewing Louisville's demographic trends, it becomes evident that over the past twenty plus years, urban dwellers left their inner ring neighborhoods for outer ring suburbs and other parts of Jefferson County. Declining urban core populations typically result in increased vacant and/or abandoned properties, safety concerns, and diminished interest of potential homebuyers who may be looking for more stable communities. While there is anecdotal evidence indicating there was increased interest in downtown living and residential development during the past decade, the population data does not bear out this fact. This is particularly true of the West Louisville neighborhoods, where population is decreasing and household incomes are not keeping pace with the increases being experienced in the Metro Louisville area as a whole. A large portion of the population will be in the post-productive years of disposable income (65 and older), indicating a need for deep subsidies to make existing housing more affordable for seniors/elderly populations in all three areas.

Demographic trends indicate several social factors working in tandem, thus there is a need for a more comprehensive approach to addressing vacant and abandoned properties on a long term basis. New infill construction or major rehab of vacant/abandoned properties should focus on smaller, more affordable units as well as amenities like pocket parks and wide sidewalks to cater to the needs of young families and seniors. Housing should be built at higher densities and include smaller units to address decreasing household size and to decrease infrastructure provision requirements and costs.

As expected, poverty levels are higher in West Louisville, the Downtown, East, and South Urban neighborhoods compared to the suburbs. Currently, U.S. federal poverty guidelines show a family of four at $22,350, which means the 2012 median household income in West Louisville neighborhoods ($20,991) is below federal poverty guidelines for a family of four. A successful intervention strategy designed to reduce poverty levels is critical to a comprehensive approach to neighborhood revitalization.

In addition to a decline in urban core neighborhoods, Louisville is experiencing an increase in racial diversity. The proportion of white persons in the population in each of the study areas has decreased over the last 20 years. Also, since their reclassification, 'Hispanic Only' populations make up almost 3% of the population of the Downtown, East and South Urban neighborhoods and 5% of the population in the suburbs as of 2010.

Understanding demographic trends in the context of how they impact planning and neighborhood revitalization should be taken into consideration while implementing the recommendations in Section 2 of this report. The demographic analysis shows that any VAP strategy needs to be comprehensive and inclusive of several socio-economic factors that include aging in place, workforce housing and affordable housing. Because of the income range of the existing population, a component of any strategy could include the use of Low-Income Housing Tax Credits to introduce higher density development of affordable housing options for current lower income households and aging populations who may now be living in sub-standard housing.

B. ECONOMIC BASE TRENDS

1. Employment Trends

In recent decades, Louisville has developed an economy increasingly centered on logistics and health care services. Since UPS chose Louisville as the primary air terminal for their operations, and subsequently expanded, many companies have located nearby, leveraging a central location that allows air access to 75% of U.S. cities within two hours. Fulfillment companies and other firms relying on fast, reliable transportation benefit from location and agglomeration effects. Health care – Louisville and Jefferson County's largest employment sector – has seen additional gains in employment and new businesses associated with health care. Manufacturing is an important sector, and is among the Top 5 sectors in Jefferson County by total employment, but jobs and establishments have seen their share of the total economy decrease over the past decade.

Appendix Table 3-22 details employment trends in Jefferson County and the Commonwealth of Kentucky for the period of 2001-2011. Data for 2008 is separated so that some effects of the recent recession can be understood in the context of the 10-year trend.

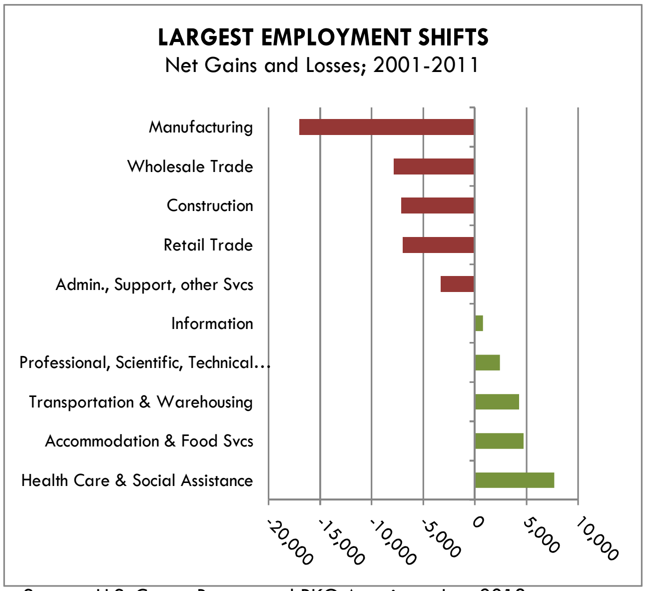
1.1. Recent Employment Gains

Employment in health care and social assistance, accommodation and food service, transportation and warehousing, information, and professional services increased during the decade. These industry sectors added a total of 19,865 jobs in Jefferson County from 2001 to 2011. This contrasts with the 42,281 jobs shed by the top five industry sectors with the largest net employment losses. Sectors gaining jobs did not offset the overall net loss of 30,150 jobs during the decade for all sectors (Figure 3-3).

The health care and social assistance sector comprises the top job category by total employment, and is growing. Jobs in health care made up 13.1% of all jobs in Jefferson County in 2001, 14.9% in 2008, and 16.2% in 2011. This category also posted the largest net gain in employment for the decade, adding 7,691 jobs. Accommodation and food services, the fourth largest employment sector, and the sector showing the most job growth after health care, posted a net gain of 4,700 jobs from 2001-2011.

The sectors experiencing gains for the decade did so primarily in the 2001-2008 period prior to the

Figure 3-3



Source: U.S. Census Bureau and RKG Associates, Inc., 2013

recession. After 2008, most sectors exhibited job losses, reflecting the effects of the recession; however, health care and food services remained stable or posted modest gains from 2008-2011.

1.2. Recent Employment Declines

According to the U.S. Census Bureau, the number of jobs in Jefferson County declined by 7.3% from 2001-2011, resulting in 30,150 fewer jobs in 2011 than in 2001. Industries with the largest net declines include manufacturing, wholesale trade, construction, and retail trade. These sectors have traditionally been large employers in many communities, and the five sectors with the largest loss during the period saw a combined loss of 42,281 jobs.

The recent recession lasted from approximately late 2007 to the middle of 2009, with national peak unemployment occurring in October of 2009. Overall, employment did not decline until after 2008, but some industries had already begun to show significant shifts prior to 2008. Between 2001 and 2008, the manufacturing, retail, wholesale trade, and construction sectors were already the industries shedding the most total jobs. The data for the period 2008-2011 shows that the effects of the recession accelerated job loss trends, with the construction and manufacturing sectors showing more losses during the post-recession period than pre-recession.

When compared to the entire Commonwealth of Kentucky, Jefferson County shows substantial job losses for the decade. The county showed a 7.3% decrease in jobs compared to a 2.3% decrease for the state as a whole (Figure 3-4). A significant finding is that of the 34,293 net job losses in the state between 2001 and 2011, 30,150, or 88%, of these were in Jefferson County.

2. Establishment Trends

2.1. Establishment Gains

During the 2001-2008 period leading up to the recession, the number of Jefferson County establishments increased by only a modest 0.6%. This contrasts with Kentucky as a whole, where establishments had increased 3.4% during the same period. When examining establishment data for the entire decade 2001-2011, the number of establishments in the state recovered to pre-recession levels by the end of the period, increasing by 269 jobs and posting a flat 0.3% increase. This contrasts with Jefferson County's 3% decrease (Figure 3-4).

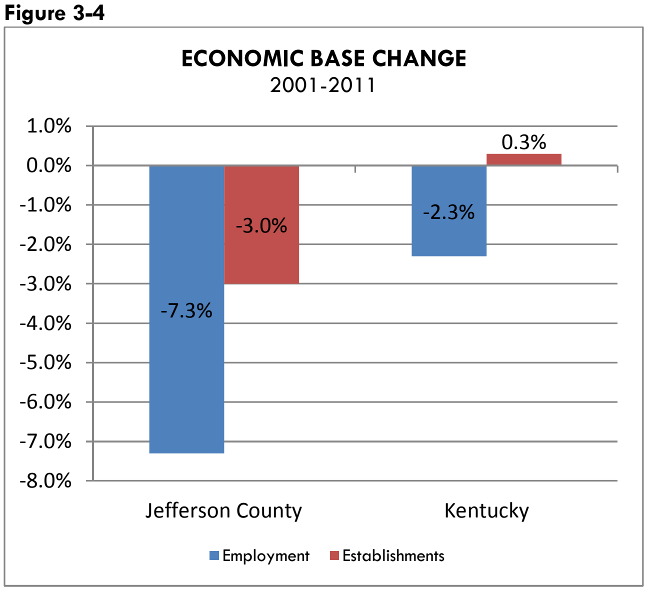
However, some sectors in Jefferson County showed solid gains and the number of establishments grew in parallel with employment growth in expanding sectors. The health care and social assistance, transportation and warehousing and accommodation and food services sectors gained 115, 95 and 232 new businesses, respectively, between 2001 and 2011. In a trend similar to employment, the health care and social assistance, and accommodation and food services sectors showed increases in establishments in the post-recession 2008-2011 period – a time when most other industry sectors showed decreases in establishments. Establishment data is further detailed in Appendix Table 3-22.

2.2. Establishment Declines

The overall decrease in establishments in Jefferson County during the period 2001-2011 was 3%, (601 businesses) compared to the 7.3% decrease in employment over the same time period (Figure 3-4). This indicates that during the recessionary period companies were more likely to cut payrolls than fold completely. This may also indicate increasing automation in certain sectors of the economy, whereby certain industries have similar output levels as in the past, yet require far fewer workers.

For the 2001-2011 period, the largest loss of establishments in Jefferson County occurred in the construction sector. This finding is not surprising considering the impact of the recession and housing foreclosure crisis during the period. When compared to Jefferson County, establishment changes in Kentucky as a whole were more moderate. The state showed more industry sectors gaining establishments, and

Figure 3-4



Source: U.S. Census Bureau and RKG Associates, Inc., 2013

those that lost establishments posted lower rates of loss than Jefferson County. In only 3 industry sectors: transportation and warehousing, accommodation and food services, and administration and support services, did Jefferson County post a higher rate of establishment growth than Kentucky.

3. Implications

When comparing employment and establishment data for the 2001-2008 pre-recession period, and the entire 2001-2011 decade, it appears that Jefferson County experienced flat growth compared to the state. The 2001-2008 period was one of economic growth nationally, yet the county saw a .03% decrease in jobs, and only a 0.6% increase in establishments. This contrasts with state gains of 4.9% and 3.4% respectively. For the 2008-2011 period, employment and establishment trends indicate that the recession affected Jefferson County more severely than the state as a whole.

Examining the trend for the entire 2001-2011 decade, Kentucky shows signs of withstanding the recession better than Jefferson County, with employment showing a 2.3% decrease, and establishments showing a small increase. This contrasts with a 7.3% decrease in employment, and a 3.0% decrease in establishments in Jefferson County for the same timeframe, leading to the conclusion that Kentucky's largest metro region has been underperforming the state as a whole in employment and establishment growth.

While economic conditions have continued to improve in the Louisville Metropolitan Area over the past few years, there are implications to neighborhood revitalization if the region's economy struggles. The most direct effect is on the availability of employment and the stability of household incomes. As more people struggle to find employment or drop out of the labor force, this directly impacts their ability to pay for housing costs, and in extreme cases, may cause some people to default on their mortgage or cause them to not afford local rents. To some degree, the vacant and abandoned conditions described in this report are symptomatic of a struggling economy, a global financial crisis and persistent levels of poverty in some Louisville neighborhoods.

A. HOUSING CHARACTERISTICS AND CONDITIONS

The RKG Team analyzed the housing characteristics and conditions of the West Louisville neighborhoods, Downtown, East & South Urban neighborhoods and the Jefferson County suburbs to provide a context to better understand factors affecting vacant and abandoned properties. An overview of housing information collected from the U.S. Census Bureau, a field-based evaluation of housing conditions, a study of housing affordability and a review of historic preservation techniques and best practices are included in this analysis.

To complete the analysis of housing characteristics and conditions, housing data was obtained utilizing publically available sources as well as field observations. Housing unit age, tenure, and occupancy information was compiled using U.S. Census Bureau sources such as the decennial census and current American Community Survey 5-year estimates. Future projections, where available, are presented using data from Esri.[1]

Housing conditions and housing value are assessed using field observation prepared by the consultant as well as assessment data provided by the Jefferson County Property Valuation Administrator. More detailed information about the methodology used for assessing condition and value are included later in this section.

1. Housing Profile

1.1. Distribution of Housing Units

In 2010, the Jefferson County suburban neighborhood study area contained the largest quantity of housing units. Of the approximately 328,000 housing units within the Louisville-Jefferson County boundaries, more than 64% are located in the suburban study area. In contrast, the West Louisville study area accounted for 8.3%, or 27,278 units. However, the West Louisville neighborhoods have the highest concentration of housing units (almost 11 units per acre). The Downtown, East & South Urban neighborhoods (7.4 units per acre) and Jefferson County suburbs (2.8 units per acre) have lower development concentrations (Table 4-1).

According to Census data, housing units throughout Jefferson County are predominantly detached single family housing units. However, recent development trends indicate the Louisville-Jefferson County market has experienced a modest diversification of housing types. Between 2005 and 2009, each of the study areas experienced a slight increase in the number of single family attached (i.e. townhouse) units. The West Louisville study area also experienced a noticeable increase in multi-unit structures of 10 or more units during the study period.

1.2. Age of Housing

Over 45% of housing units in the West Louisville neighborhoods were built prior to 1939, while the percentage of pre-1939 units built in the Jefferson County suburbs was much lower (3.2%). The majority of housing units in Jefferson County as a whole were built before 1980, most of which were constructed between 1950 and 1979. Less than 3% of the housing units in Jefferson County were built after 2005; the largest concentration of those units occurred in the Jefferson County suburbs. Less than 2% of all units in the West Louisville neighborhoods and Downtown, East & South Urban neighborhoods were built after 2005 (Table 4-1).

[1] Esri is an internationally recognized socioeconomic and market data vendor. They apply a propriety methodology to develop projections based on existing Census data.

Table 4-1
Housing Units by Year Built
Comparative Neighborhoods; 2010

Year Built	West End Neighborhoods	Downtown, East & South Urban Neighborhoods	Jefferson County Suburbs	Jefferson County
Total Units	27,278	89,975	210,859	328,118
2005 or later	1.0%	0.6%	3.3%	2.3%
2000 - 2004	6.5%	1.7%	10.4%	7.7%
1990 - 1999	5.5%	3.8%	14.6%	10.9%
1980 - 1989	2.8%	5.9%	9.4%	7.9%
1970 - 1979	2.9%	8.8%	19.7%	15.3%
1960 - 1969	4.6%	11.7%	18.5%	15.5%
1950 - 1959	12.8%	17.9%	16.7%	16.7%
1940 - 1949	16.5%	15.1%	4.3%	8.3%
1939 or earlier	47.4%	34.5%	3.2%	15.4%
Median Year Structure Built	1942	N/A	N/A	1966

Source: U.S. Census Bureau and RKG Associates, Inc., 2013

1.3. Housing Tenure

The West Louisville neighborhoods historically have had the highest vacancy rates within Louisville-Jefferson County. The U.S. Census Bureau defines vacancy as the following:

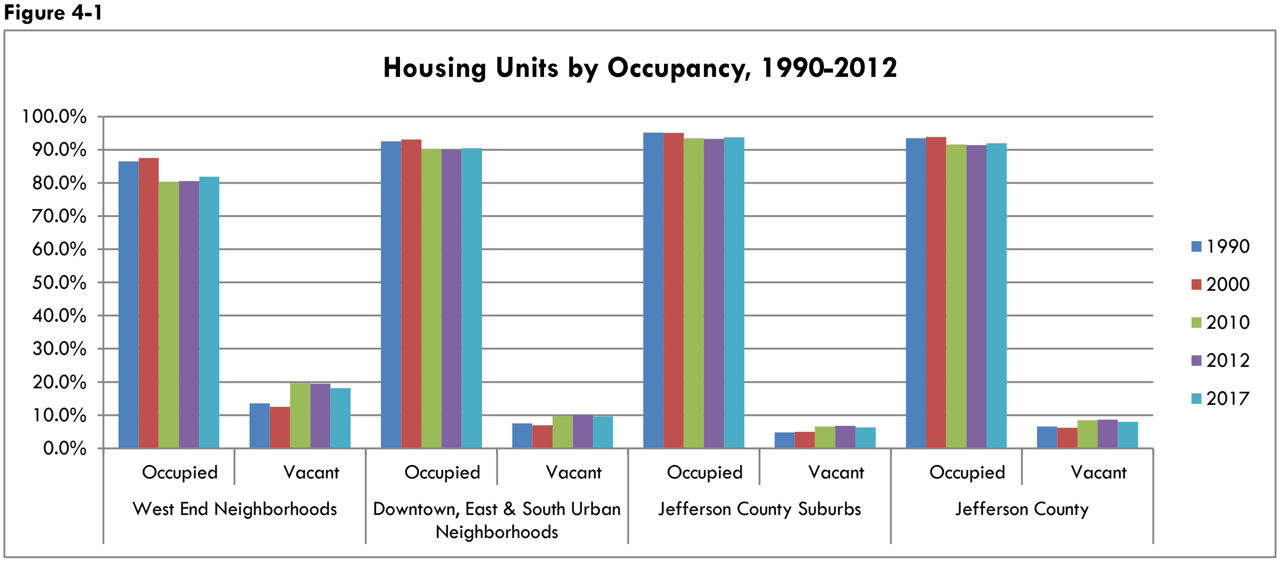
"A housing unit in which no one is living on Census Day, unless its occupants are only temporarily absent. Units temporarily occupied at the time of enumeration by individuals who have a usual home elsewhere are classified as vacant. (Transient quarters, such as hotels, are housing units only if occupied. Thus, there are no vacant housing units at hotels and the like.) New units not yet occupied are classified as vacant housing units if construction has reached a point where all exterior windows and doors are installed and final usable floors are in place. Vacant units are excluded from the housing unit inventory if they are open to the elements, have a posted "condemned" sign, or are used entirely for nonresidential purposes (except storage of household furniture)."[2]

Between 1990 and 2012, the housing vacancy rate in West Louisville ranged from 12% to 20% (Figure 4-1). Vacancy was the highest between 2010 and 2012 for all of the study areas, reflecting the impact of the economic downturn on the local housing markets.

In 2012, the Jefferson County suburbs had the highest percentage of owner-occupied units (66%), followed by the Downtown, East & South neighborhoods (50.5%). The West Louisville neighborhoods have reached a historically low level of homeownership, falling from 57% in 1990 to slightly above 40% in 2012. This drop in ownership level corresponds with an increase in vacancy in West Louisville. As a result, it is likely that housing tenure and the economic downturn have adversely affected West Louisville.

Looking forward, no change is projected in occupied (owner and renter) units in 2017; however, a slight

Figure 4-1



Source: U.S. Census Bureau and RKG Associates, Inc., 2013

[2] *Decennial Management Division Glossary*, U.S. Census Bureau (2013). Retrieved August 7, 2013 from http://www.census.gov/dmd/www/glossary.html#V

decrease of less than 2% is expected in vacant units for all areas and Jefferson County as a whole. Though the rate of homeownership in the West Louisville neighborhoods is considerably lower than other areas, it is relatively high (approximately 40%) given the number of households in poverty in that part of Louisville.

1.4. Residential Ownership Patterns

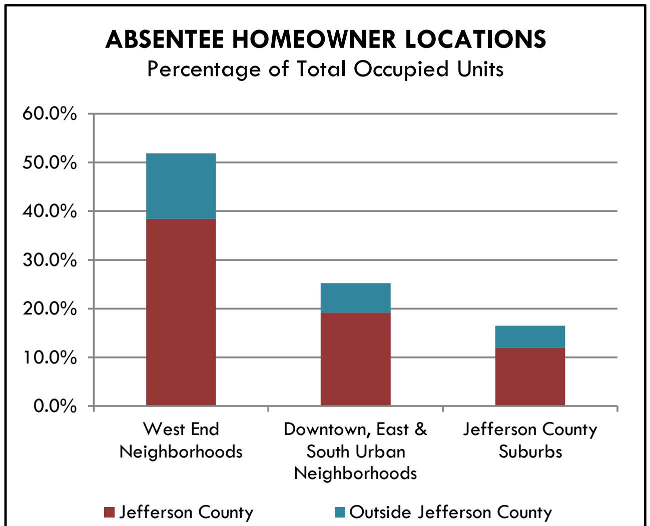
Given the variation in the proportion of owner-occupied units across Louisville-Jefferson County, an analysis of the patterns of single family homeownership can provide a background to understanding the characteristics of the households in the Metro Louisville area. Specifically, absentee owners have the potential to impact the condition of housing and ultimately affect neighborhood stability when this type of ownership exists in large numbers.

Absentee ownership often indicates that a single family unit is used as a rental property. As discussed earlier in this section, the number of owner-occupied units varies between the West Louisville neighborhoods, Downtown, East & South Urban Neighborhoods and the Jefferson County suburbs. Owner-occupied units account for approximately 40% of the total occupied units in the West Louisville neighborhoods (Table 4-2). This suggests a substantial presence of single family rental units in this area.

The owners of single family rental units typically act as landlords and provide property maintenance. Unlike an on-site maintenance team in more traditional rental units, absentee owners/landlords often do not have the capacity to identify and address issues on the property in a timely fashion. Lengthy delays in resolving property issues can lead to a decline in the condition of the property at a quicker pace for absentee owner properties than those that are owner-occupied.

An analysis of the Jefferson County Property Valuation Administrator's property database suggests that when a unit has an absentee owner, it is more likely that the absentee owner lives in Jefferson County (Figure 4-2). This is particularly critical in the

Figure 4-2



Source: PVA of Jefferson County, KY & RKG Associates, Inc., 2013

Table 4-2

Occupied Units by Tenure
Comparative Neighborhoods: 1990-2017

Neighborhood	Tenure	1990	2000	2010	2012	2017
West End Neighborhoods	Owner	57.1%	52.4%	43.9%	40.2%	40.5%
	Renter	42.9%	47.6%	56.1%	59.8%	59.5%
Downtown, East & South Urban Neighborhoods	Owner	56.5%	55.3%	53.5%	50.5%	50.8%
	Renter	43.5%	44.7%	46.5%	49.5%	49.2%
Jefferson County Suburbs	Owner	69.8%	71.0%	68.9%	66.1%	66.6%
	Renter	30.2%	29.0%	31.1%	33.9%	33.4%
Jefferson County	Owner	64.5%	64.9%	63.1%	60.2%	60.7%
	Renter	35.5%	35.1%	36.9%	39.8%	39.3%

Source: U.S. Census Bureau and RKG Associates, Inc., 2013

West Louisville neighborhoods given the high level of absentee ownership. Owners located regionally might reduce the time it takes to address issues given their proximity to the property. However, this does not eliminate the overall impact an absentee owner can have on property condition.

A high concentration of rental units can also impact neighborhood stability. The transient and short-term nature of renters can have an effect on the stability of a community by affecting the level of community involvement and investment in an area. When traditionally owner-occupied housing units are converted to rental properties, this reduces the supply of available units for ownership, thus reducing the opportunity for a community to stabilize through an increase in the population of long-term residents.

2. Housing Condition Analysis

2.1. West Louisville Neighborhood Block Analysis

The purpose of the block analysis was to identify general "intervention" opportunities by location based on neighborhood conditions on the ground. The block analysis focused on the influence that properties in various stages of decline can have on overall neighborhood conditions. It should be noted that this task did not include a detailed parcel-by-parcel condition assessment, but rather the analysis of blocks based on a number of statistical measures that were then field-verified through a windshield survey.

Methodology

Using available data sources provided by Louisville Metro Government and the team's initial field observations, the RKG Team identified large numbers of vacant and abandoned properties in several residential neighborhoods, mostly West Louisville. Typically, having large numbers of vacant, abandoned and deteriorated structures and lots establishes negative perceptions about a neighborhood regardless of the true conditions of the area. The initial field observations of Louisville neighborhoods and communities with high concentrations of vacant and abandoned properties, combined with a review of available data, plans and studies, aided in the selection of the neighborhoods for the block analysis. These neighborhoods included:

- California
- Chickasaw
- Hallmark
- Park DuValle
- Park Hill
- Parkland
- Portland
- Russell
- Shawnee

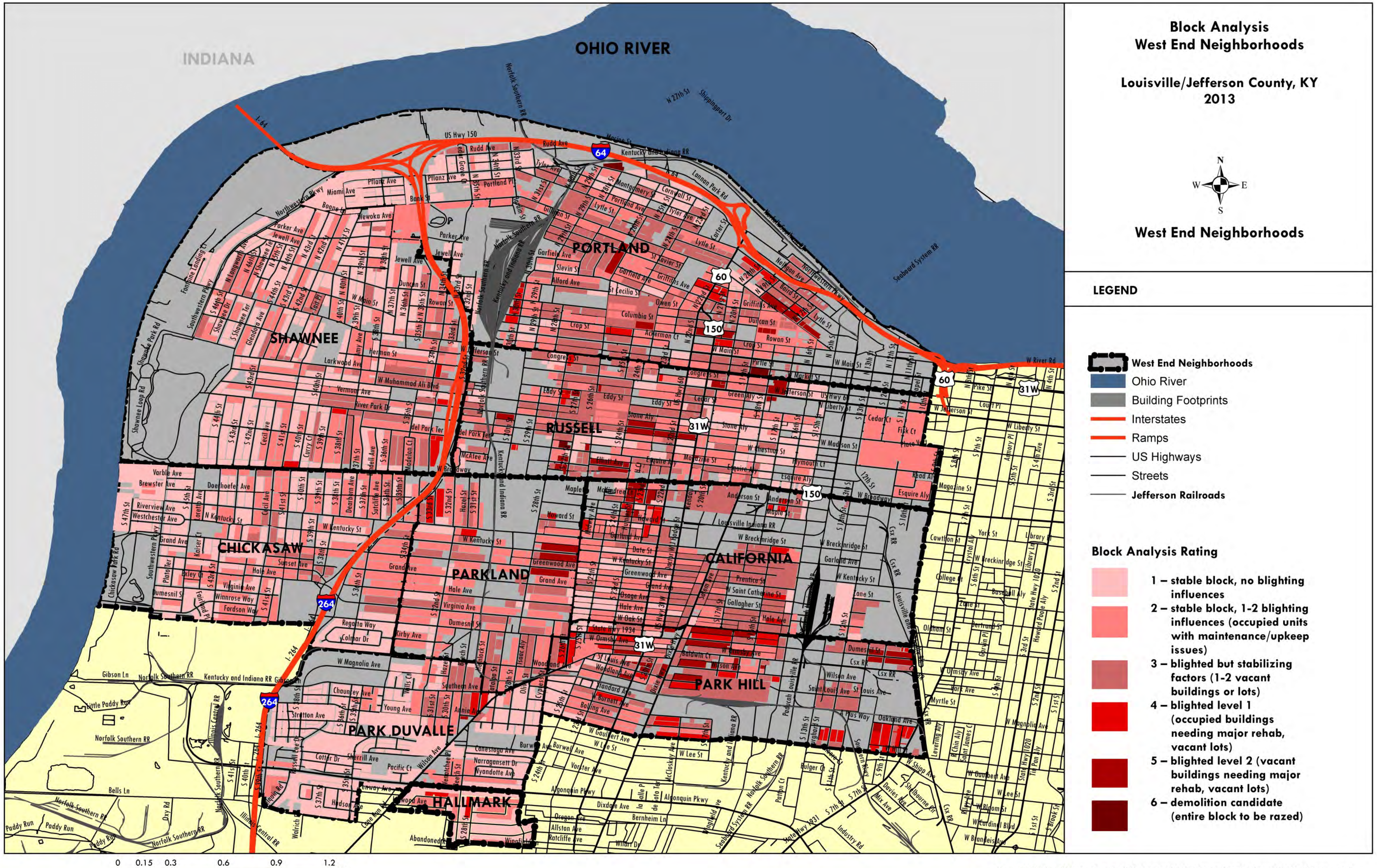
Prior to conducting the block analysis, the team determined that the West Louisville neighborhoods had a higher concentration of vacant, abandoned, deteriorated and dilapidated properties as well as higher concentrations of vacant lots. The field observation helped to determine if there were subcategories of vacant and abandoned properties and to what extent these subcategories should affect the team's recommendation strategies.

A block analysis rating scale was developed to determine the level of blight among vacant and abandoned properties. A block-level windshield survey of the nine West Louisville neighborhoods was conducted with two teams over a two-week period (in November 2012 and January 2013). Stakeholder interviews and document reviews complemented the fieldwork conducted during this period. The team then performed an analysis of the data collected and produced a series of maps supported by photographic examples to illustrate the findings.

Block Analysis Rating Scale

Rating	Description
1	Stable Block, no blighting influences
2	Stable Block, 1 – 2 blighting influences (occupied units with maintenance/upkeep issues)
3	Blighted but stabilizing factors (1 – 2 vacant buildings or lots)
4	Blighted Level 1 (occupied buildings needing major rehabilitation, vacant lots)
5	Blighted Level 2 (vacant buildings needing major rehabilitation, vacant lots)
6	Demolition candidate (entire block to be razed)

Map 4-1



Source: LOJIC, Jefferson County PVA, Louisville/Jefferson County Consolidated Government

2.2. Analysis

Following the fieldwork, the team mapped the results in GIS. Photographic examples of various block analysis ratings were also created. Analysis included calculating the number of blocks associated with each block rating to identify a general level of stability in the neighborhood. Map 4-1 shows the results of the condition rating analysis for all West Louisville neighborhoods. See Appendix Maps 4-1 to 4-9 for block-level analysis mapping.

The second part of the analysis dealt with translating the block analysis data into a series of classifications in terms of the ability to decrease blight, prevent neighborhood deterioration and return vacant and abandoned properties to productive use. The block classifications based on the rating system and analysis are as follows:

Stable Blocks = Block Analysis Rating 1
Tipping Point Blocks = Block Analysis Rating 2
Stabilization Blocks = Block Analysis Ratings 3 and 4
Revitalization Blocks = Block Analysis Ratings 5 and 6

Block Classification Descriptions:

Stable Blocks

Stable blocks are blocks that contained no blighting influences. At least 35% of all blocks surveyed in the West Louisville neighborhoods were identified as stable blocks. While the majority of the blocks in some of the neighborhoods were stable, all of the West Louisville neighborhoods had blocks in other rating categories (Table 4-3).

Tipping Point Blocks

Tipping point blocks are on the verge of decline and show signs of disinvestment, or are in the process of revitalization. Any number of factors could signal that an area is at a tipping point. For example, a growing number of foreclosures in a neighborhood due to inactivity would indicate an increased potential for decline in even the most stable neighborhoods by introducing blighting influences to the area.

Increasing rentals could also tip a neighborhood or area toward decline, as renters often do not establish a relationship to a neighborhood or community. On the other hand, increasing rentals in attractive, well-maintained homes can lead to homeownership, thus signaling tipping upwards to a more stable neighborhood. A high number of properties that need maintenance and improvements could signal tipping towards decline, and continued neglect of these blocks can lead to further decline of the neighborhood. Also, visual blight such as code violations can be seen as infectious to other blocks. Approximately 35% of the blocks in the West Louisville neighborhoods were identified as Tipping Point blocks.

Table 4-3

Block Analysis Ratings
West End Neighborhoods, by Percentage

Neighborhood	Block Rating					
	1	2	3	4	5	6
California	14.6%	31.9%	44.8%	6.0%	2.7%	0.0%
Chickasaw	48.1%	44.1%	7.8%	0.0%	0.0%	0.0%
Hallmark	52.7%	41.0%	0.0%	6.3%	0.0%	0.0%
Park DuValle	69.8%	21.6%	6.9%	1.4%	0.2%	0.0%
Park Hill	11.2%	23.4%	29.8%	21.9%	13.8%	0.0%
Parkland	8.8%	54.2%	28.4%	3.8%	4.9%	0.0%
Portland	20.6%	32.1%	39.0%	4.1%	3.7%	0.5%
Russell	21.8%	33.3%	36.1%	0.9%	7.6%	0.3%
Shawnee	48.8%	36.3%	13.3%	1.5%	0.0%	0.0%

Source: RKG Associates Inc., 2013

Stabilization Blocks

A number of blocks were identified to have a small amount of blighting influences on otherwise stable blocks (Table 4-3). In these instances, it is important to stabilize these neighborhoods or neighborhood blocks to stem the progression of neighborhood decline. Unaddressed blight at this stage could lead to declining property values, thus further deteriorating the block and eventually the neighborhood. Although these are scattered sites throughout West Louisville, addressing these blighting influences represent opportunities for an immediate impact.

Revitalization Blocks

Revitalization blocks received a rating of 5 or 6, meaning that there were vacant buildings needing rehabilitation, vacant lots or that the entire block was a demolition candidate. Less 1% of the blocks received a rating of 6.

2.3. Findings

- Two neighborhoods are very stable (over 50% of blocks fell in Block Analysis Rating 1) – Hallmark and Park DuValle – requiring limited scale, scattered site intervention.
- Most West Louisville neighborhoods are Tipping Point or Stabilization neighborhoods.
- Very few blocks (<1%) in each of the West Louisville neighborhoods qualified as demolition candidates – these blocks were located in Portland and Russell.
- Within the Stable and Tipping Point blocks, there may be one to two vacant/abandoned properties that could be demolished (this determination was based on the consultant's opinion of condition based on an exterior visual assessment).
- With the exception of Hallmark and Russell, the most blight occurs towards the east side of the neighborhoods; blocks exhibit more stable conditions moving westward into the neighborhoods.

2.4. Implications

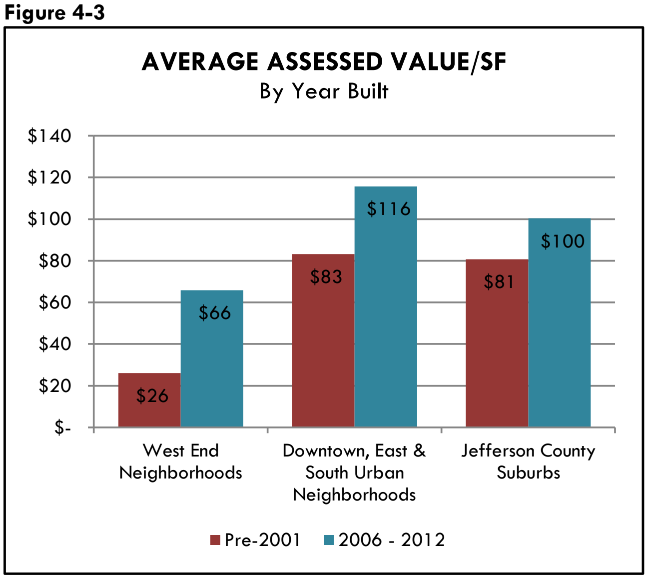
Although the Block Analysis was completed only for the West Louisville neighborhoods, the resulting classifications (Stable, Tipping Point, Stabilization, Revitalization), are applicable throughout Louisville. Data from the block analysis findings can be used to help identify and prioritize Priority Project Areas. Block analysis data can assist with identification of blocks with the most visual short-term impact, as well as those blocks that have the greatest potential to act as a catalyst for long-term redevelopment and neighborhood stability. Block analysis data can also be utilized in reinvestment decisions concerning the alignment of proposed projects with both current and future catalytic projects.

Finally, it must be noted that the level of data analysis conducted for this study is not sufficient to make site specific recommendations on properties to be demolished or redeveloped. For site-specific recommendations, a detailed windshield survey with complete property inspections would need to be conducted. For the most effective use of the findings from the block analysis study, they should be reviewed and considered in relation to other key criteria, such as findings from the demographic analysis and criteria identified in the Decision Making Matrix in Section 2.

3. Assessed Value Analysis

In addition to a block-level analysis, assessed value is another way to better understand the health and condition of the housing stock of an area. Based on an analysis of the average assessed value per square foot of single family homes in Jefferson County, the West Louisville neighborhoods have the lowest average assessed value – $66/SF for homes built since 2006. The Downtown, East & South Urban neighborhoods and the Jefferson County suburbs both have substantially higher average assessed values at $116/SF and $100/SF, respectively, for homes built during the same period of time. As seen in Figure 4-3, West Louisville has consistently lower assessed values per square foot than the other study areas regardless of when the home was built.

Figure 4-3

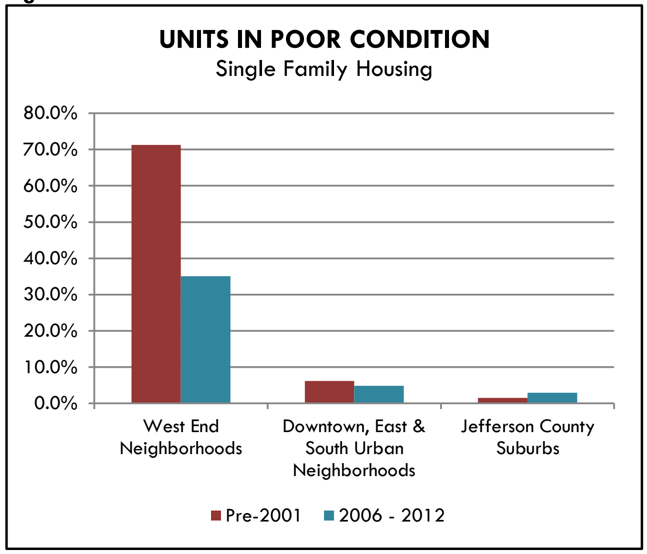


Source: Jefferson County PVA & RKG Associates, Inc., 2013

3.1. Structure Condition

To the extent that the assessed value of a home can be tied to the quality of material used and level of maintenance, conclusions can be made about the condition of a building based on its assessed value. To identify concentrations of single family homes that exhibit signs of disinvestment, a Poor Condition rating was given to homes with an assessed value at 40% or less of the Jefferson County average assessed value per square foot.

Figure 4-4



Source: Jefferson County PVA & RKG Associates, Inc., 2013

Using this definition, substantially more of the single family homes in West Louisville are in Poor Condition than in any other area of focus in Jefferson County – 12,621 out of 17,777 homes built before 2001 (71%) and 411 out of 1,175 units built in 2001 or later (35%). By comparison, less than 7% of the single family homes in the Downtown, East & South Urban neighborhoods (50,666 units) and the suburbs (150,804 units) are in Poor Condition, regardless of build year (Figure 4-4, Appendix Tables 4-1 to 4-3).

3.2. Structure Age

Homes built before 2001 exhibited a lower assessed value per square foot in all areas when compared to those built after 2005. An analysis of the number of homes built at least 50 years ago (1963 or earlier) reveals that the urban areas have a substantially larger portion of older homes – 16,370 units (86.5%) in West Louisville and 45,071 units (89.1%) in the Downtown, East & South Urban neighborhoods, than the suburbs (38.1% or 57,269 units).

While a negative correlation between age and assessed value holds true in this case, when looking at the three areas in Jefferson County, a notable difference exists between the West Louisville neighborhoods and the Downtown, East & South Urban neighborhoods. Though both areas have similarly high proportions of older housing stock, the homes in the West Louisville are of considerably less value than those in the Downtown, East & South Urban neighborhoods (Appendix Tables 4-1 to 4-3). An analysis of average assessed value per square foot suggests that homes in West Louisville, especially those built before 2001, have not held their value as well as those in the Downtown, East & South Urban neighborhoods or the suburbs. This could be due, in part to a number of factors including deferred maintenance, the high rate of absentee landlords and crime in West Louisville, which is exacerbated by the age of much of the housing stock. These factors have likely contributed to the below average condition of housing in this area more than elsewhere in Jefferson County.

3.3. Implications

Home values tend to be lowest in West Louisville and consistently higher across other neighborhoods. The low assessed value of residential property in West Louisville can be explained by a variety of age, condition and occupancy factors, of which the latter two can be affected by the more challenging socioeconomic conditions facing residents in these neighborhoods. The difference between the assessed values of older homes in the urban study areas suggests that older homes in West Louisville are in poorer condition and not as well maintained when compared to similar single family units in the Downtown, East & South Urban neighborhoods.

As discussed earlier in this section, a large number of homes in the West Louisville have absentee owners, which can foster an environment that enables a decline in property condition over time. Revitalization efforts could encompass a variety of policies, but improving property maintenance and increasing owner-occupancy of blighted dwellings could be an effective means towards promoting neighborhood stabilization and renewal. As values decline in these areas, it becomes a disincentive and obstacle for investors and homeowners to obtain financing to purchase or justify home improvements that are not supported by the lower real estate values.

B. HOUSING AFFORDABILITY ANALYSIS

Housing affordability is an indicator of an area's ability to accommodate a range of households at a variety of socioeconomic levels. A lack of affordable homeownership or rental options may indicate a need to further develop certain types of housing to better accommodate the current population. To assess housing affordability in the three study areas, an evaluation of the housing supply and affordable housing demand for each of these areas was conducted.

1. Methodology

1.1. Income Limits & Affordability Thresholds

Fiscal year 2013 Income Thresholds calculated by the U.S. Department of Housing and Urban Development (HUD) for the Louisville-Jefferson County, KY-IN MSA were used as an approximation to define affordability in Jefferson County. Income limits are divided into 3 categories and available in household sizes ranging from one person to eight persons. All income limits are a certain percentage of the area median income (AMI) for a designated household size. According to HUD, 80% of AMI is "Low Income," 50% of AMI is considered "Very Low Income," and 30% of AMI "Extremely Low Income." To gain a full picture of affordability for a range of socioeconomic situations, limits at 100% and 120% of AMI were also calculated by the RKG Team with the assistance of HUD.

To establish which HUD household thresholds to use, the average household size for Jefferson County, or approximately 2.35 persons, was taken into account (Appendix Table 3-1). Income limits used for homeownership were based upon three person households and rental unit thresholds were based on two person income limits. Different household sizes were used for the homeownership and rental analysis based on the fact that rental units are typically smaller and have fewer bedrooms than the units purchased by homeowners. Table 4-4 shows a summary of the income limits used to establish the affordability thresholds for ownership and rental housing. For the analysis, the income at each of the HUD limits was used to create a series of affordability thresholds. The resulting affordability analysis was based on the supply and demand within the following income ranges: 0% to 30% of AMI, 30% to 50% of AMI, 50% to 80% of AMI, 80% to 100% of AMI and 100% to 120% of AMI.

Table 4-4

Income Limits, FY2013
Louisville-Jefferson County, KY-IN MSA

	Household Income	
% of AMI	2 person	3 person
30%	$14,600	$16,400
50%	$24,300	$27,350
80%	$38,850	$43,700
100%	$48,600	$54,700
120%	$58,320	$65,640

Source: U.S. Department of Housing and Urban Development (2013), RKG Associates, Inc.

1.2. Housing Demand and Supply

Affordable housing demand was measured by the number of households assigned to each income threshold based on household income estimates provided by Esri for 2010 (estimates were based on 2000 Census data). While estimates of 2012 incomes provided by Esri were considered, discussions with Esri regarding differences in estimate methodology between the two years led to the decision to use the 2010 estimates.[3]

2012 income estimates provided by Esri were based on ACS 5-year estimates and are notably lower than the 2010 estimates. This difference could be due to the alternate methodology and the fact that the ACS data may reflect some post-recession impacts. Therefore, it should be noted that the housing affordability analysis likely overstates current household income levels, which results in greater housing affordability than currently exists.

[3] Lynn Wombold, ESRI. Contacted August 13, 2013.

1.3. Homeownership Affordability

The number of single family homes or condominiums that households at each income threshold can afford was determined by estimating the maximum mortgage amount a household could pay after covering associated homeownership costs. FHA and conventional loans were both included in the analysis. A conventional loan offers a homebuyer a greater number of homes from which to choose; however, for those who cannot qualify for conventional mortgages, an FHA loan has a lower down payment, making it an appealing option for those seeking affordable housing.

Assumptions about down payments, current interest rates, annual mortgage payments, private mortgage insurance, real estate taxes, homeowners insurance and condo fees were included in the analysis to establish the value of homes affordable at each income limit based on information collected from a variety of sources. These assumptions were tailored to the West Louisville neighborhoods, Downtown, East & South Urban neighborhoods and the Jefferson County suburbs when possible.

1.4. Rental Affordability

To identify the number of rental units within each rental affordability threshold, the consultant team used data on the number of units and their gross monthly rents at a census block level from the 2011 American Community Survey from the U.S. Census Bureau. Counts were established for those units with gross rents that fell within each category. Given that gross rent was available at a unit level, the consultant estimated that 30% of gross income would go to rent on an annual basis. This percentage was applied to each income limit and then divided by 12 to establish a monthly rent.

1.5. Data Sources

In addition to the U.S Department of Housing and Urban Development, which provided the fiscal year 2013 Income Limits, housing supply data for homeownership for Jefferson County came from the Property Valuation Administrator's property assessment database. For rental unit supply, data was provided by the 2010 American Community Survey from the U.S. Census Bureau. Data used to estimate demand for ownership and rental housing at the various thresholds of affordability came from 2010 household incomes estimated by Esri.

A variety of sources were used to develop the assumptions related to mortgages and associated homeownership costs and to determine the maximum value of an affordable home or condominium at each income limit. HUD provided information on FHA loan requirements such as down payments and income requirements. Conventional and FHA mortgage and mortgage insurance rates came from financial rate aggregator www.bankrate.com and local lenders. Local listings and national insurance clearinghouses provided information about condo fees and homeowners insurance. Tax rates for real property were found through the Jefferson County Property Valuation Administrator.

2. Affordability Analysis

2.1. Ownership Affordability

An initial evaluation of the single family units in Jefferson County reveals that almost all of the single family homes in the study areas are affordable to households making 120% the area median income (AMI). While most of the housing stock in Jefferson County is considered affordable by these standards, the number of homes available at all income thresholds does not meet demand, nor does a sufficient level of housing quality exist at all levels of affordability.

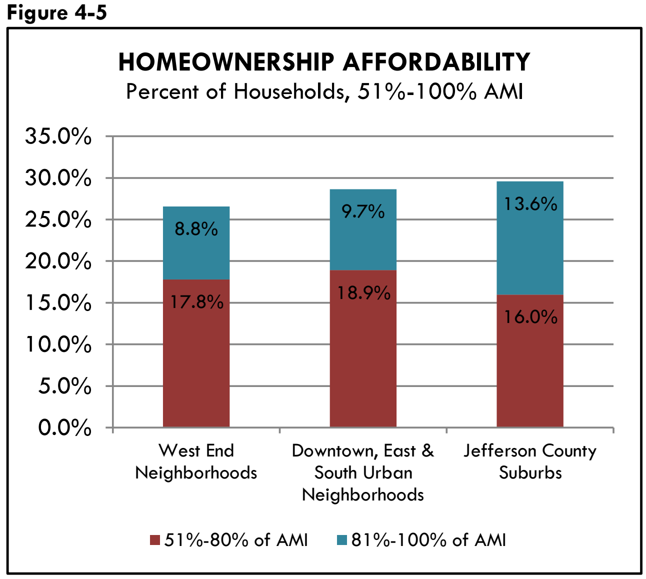
The type of loan a household chooses does have some effect on the number of units available for homeownership. This is because FHA loans require mortgage insurance due to low down payment requirements. While the down payment requirement of 3.5% may be smaller than in a conventional loan (20%), the associated payments beyond the mortgage consume a larger portion of household income, leading to a smaller mortgage overall. A smaller mortgage will reduce the number of units available to that household, depending on the value of the housing stock in the market. For households seeking homes affordable at 80% of AMI or less in the Downtown, East & South Urban neighborhoods and the suburbs, there are more single family homes available to those using conventional lending than an there are to those who choose an FHA mortgage, which typically carry slightly higher interests due to the higher risks associated with the borrowers. Alternatively, in West Louisville, this is the case only for households making 30% of the AMI or less (Appendix Tables 4-4 to 4-6).

However, the greatest factor in identifying which loan vehicle to use is the availability of the requisite 20% down payment. Given that a 20% down payment has become more and more challenging for households with no purchase history, it is likely the affordability threshold more closely resembles the FHA analysis than the Conventional analysis. This is particularly the case in the urban areas of Metro Louisville where over half of the households make 100% of AMI or less.

In Jefferson County as a whole, the households most inclined to seek affordable homeownership options make more than $27,350 (50% of AMI) and up to $54,700 (100% of AMI) in gross income per year. All three study areas have a similar proportion of households in this range (26% to 29%). In the West Louisville and Downtown, East & South Urban neighborhoods, these households can afford homes valued between $99,982 and $199,965 with an FHA loan and between $128,326 and $256,652 with a conventional loan. In the suburbs, this portion of households can afford homes between $100,848 and $201,695 in value with an FHA loan and $129,804 and $259,607 with a conventional loan (Figure 4-5, Table 4-5, Appendix Tables 4-4 to 4-6).

The urban areas of Louisville generally do not have enough affordable housing to support the demand of

Figure 4-5



Source: Jefferson County PVA, KY & RKG Associates, Inc., 2013

Table 4-5

Affordable Home Price by Level of AMI

		Maximum Home Price	
	Percent of AMI 3-Person Household	West End, Downtown, East & South Urban Neighborhoods	Jefferson County Suburbs
FHA LOAN			
Very Low Income	50%	$99,982	$100,848
Low Income	80%	$159,752	$161,135
Area Median Income	100%	$199,965	$201,695
CONVENTIONAL LOAN			
Very Low Income	50%	$128,326	$129,804
Low Income	80%	$205,040	$207,401
Area Median Income	100%	$256,652	$259,607

Source: U.S. Department of Housing and Urban Development and RKG Associates, Inc., 2013 those making between 51% and 100% of AMI. To find homeownership opportunities, these households will choose from the existing supply of homes that are affordable to those at lower income thresholds. These homes are typically at prices below the maximum amount this threshold of households can afford. When the opportunity presents itself, these households may also choose to move to the suburbs where there is an overall surplus of units affordable to households between 51% and 100% of AMI for those using FHA loans.

If a household does not choose to move to the suburbs,

Table 4-4
Ownership Supply and Demand
3-Person Household Thresholds

	Units	Households	Surplus/ Shortage
WEST END NEIGHBORHOODS			
FHA Loan			
50% - 80%	575	4,059	(3,484)
80% - 100%	68	1,997	(1,929)
0% - 120%	18,917	19,047	(130)
Conventional Loan			
50% - 80%	193	4,059	(3,866)
80% - 100%	32	1,997	(1,965)
0% - 120%	18,926	19,047	(121)
DOWNTOWN AND SOUTH/EAST NEIGHBORHOODS			
FHA Loan			
50% - 80%	11,886	15,701	(3,815)
80% - 100%	5,945	8,086	(2,141)
0% - 120%	42,167	56,948	(14,781)
Conventional Loan			
50% - 80%	12,262	15,701	(3,439)
80% - 100%	4,417	8,086	(3,669)
0% - 120%	45,686	56,948	(11,262)
JEFFERSON COUNTY SUBURBS			
FHA Loan			
50% - 80%	57,648	31,869	25,779
80% - 100%	18,256	27,106	(8,850)
0% - 120%	126,250	112,168	14,082
Conventional Loan			
50% - 80%	44,703	31,869	12,834
80% - 100%	13,710	27,106	(13,396)
0% - 120%	137,885	112,168	25,717

Source: RKG Associates, Inc., 2013

a substantial number of the homes that are below the maximum amount the household can afford to buy also received a negative score when analyzed for characteristics that would impact the property's marketability to homebuyers, renters and developers. Factors that impact marketability, both negative and positive, will be discussed further in Section 6. Receiving a negative marketability score indicates that there were a greater number of negative than positive factors relative to social, land use, land resource and housing associated with the property.

The suburbs have a greater mix in the supply of affordable homeownership options. There is an oversupply of affordable housing for those making between 50% and 80% of AMI. However, the undersupply of units affordable for those making between 80% and 100% of AMI will most likely reduce this oversupply as households making between \$43,700 and \$54,700 annually consider units below their ideal price range in order to find a home (Table 4-6).

Condominiums, which have increased in popularity nationally over the last decade, are also options for affordable homeownership in Jefferson County. In all three areas, there is an insufficient supply of affordably-priced condominiums to meet homeownership demand. Similar to single family homes, most condominium units are affordable to households making 120% of AMI or less in all areas of Jefferson County (Appendix Tables 4-4 to 4-6). However, much of the recent condominium development in the downtown has been built to a higher price point and sales have slowed in recent years.

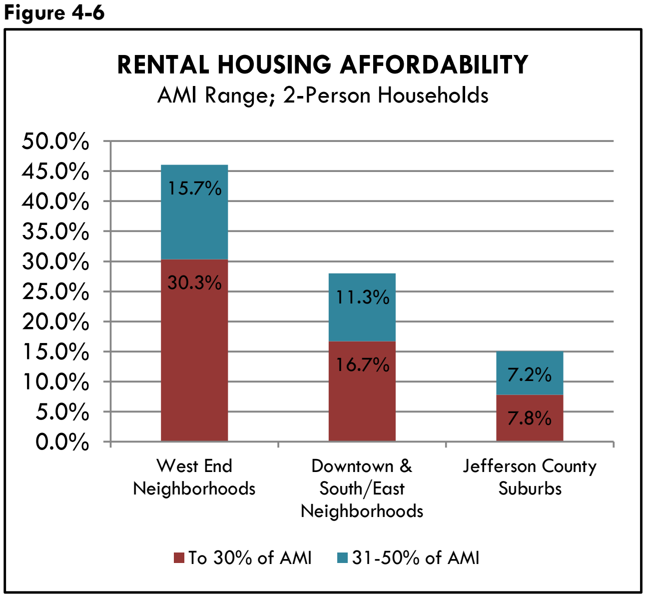
In the suburbs, condominiums are generally valued at a level affordable to the portion of population seeking homeownership. However, the Downtown, East & South Urban neighborhoods have a mix of affordability. The largest portion of condominiums are valued at levels affordable to those making 50% of AMI or less, while most of the remaining condominiums are most affordable to those making between 50%

and 100% of AMI. In West Louisville, there are only 42 condominium units, most of which are considered affordable to those making 30% of AMI or less, a group that traditionally seeks rental units. Additionally, the overall quality of the condominiums in West Louisville may not be optimal and most received a negative score on marketability (Appendix Tables 4-4 to 4-6).

2.2. Rental Affordability

As opposed to ownership, rental affordability is often of greater importance to lower income households. Those making 50% of AMI or less are more likely to seek rental properties than homeownership. This is particularly true in West Louisville and the Downtown, East & South Urban neighborhoods, where the largest proportion of households at this threshold reside. In West Louisville, there are 10,502 households (46%) that are most likely to choose rental options and 23,227 households (28%) in the Downtown, East & South Urban neighborhoods looking for rental units (Figure 4-6).

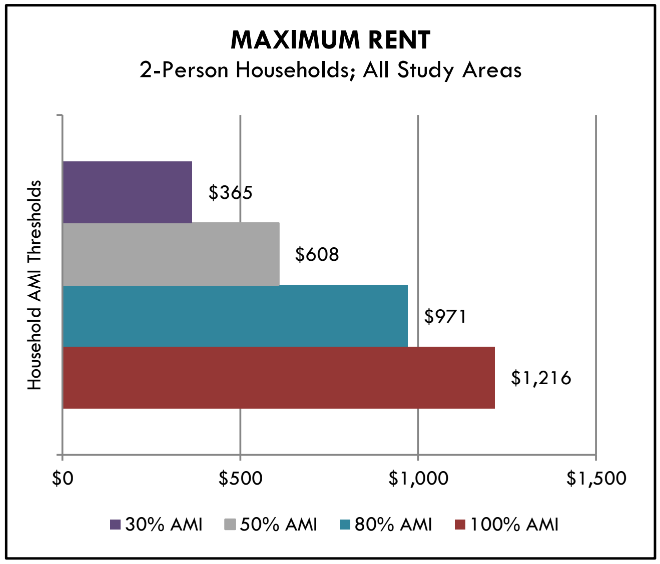
Figure 4-6



Source: Jefferson County PVA, KY & RKG Associates, Inc., 2013

To analyze rental affordability, the 2-person household AMI thresholds from the U.S. Department of Housing and Urban Development were used. In Jefferson County, a typical renter household seeking an affordable unit makes $24,300 or less in annual gross income. The monthly rent for this portion of households is $608 or less (Figure 4-7).

Figure 4-7



Source: Jefferson County PVA, KY & RKG Associates, Inc., 2013

Overall, nearly all of the rental units available in all the study areas are affordable for households making 120% or less of AMI. Similar to ownership units, demand and supply of rental units is inconsistent across the range of income thresholds, particularly 50% of AMI or less (Appendix Table 4-7).

The greatest demand (based on the number of households at 50% of AMI or less) for rental units is in the urban areas of Jefferson County. However, these areas do not have sufficient supply to meet all of the demand. This is particularly the case for extremely low income households making 30% of AMI or less. In addition, between West Louisville and the Downtown, East & South Urban neighborhoods, only the latter has sufficient affordable rental units to meet the demand of those that make between 30% and 50% of AMI. In contrast, although the Suburbs have the smallest portion of area households in need of affordable rental units (15% or 30,000 households), this area is also the least equipped to handle the demand of those living at an extremely low income level. The suburbs have the greatest gap in supply and demand for extremely low-income households seeking affordable rental units (Table 4-7).

Table 4-7
Rental Housing Supply and Demand
2-Person Households

Income Threshold	Units	Households	Surplus (Shortage)
WEST END NEIGHBORHOODS			
30%	2,074	6,914	(4,840)
50%	3,061	3,588	(527)
Total Affordable Units	11,346	18,141	(6,795)
DOWNTOWN & SOUTH/EAST NEIGHBORHOODS			
30%	4,989	13,857	(8,868)
50%	10,596	9,370	1,226
Total Affordable Units	34,524	52,761	(18,237)
JEFFERSON COUNTY SUBURBS			
30%	2,838	15,590	(12,752)
50%	15,041	14,410	631
Total Affordable Units	55,481	95,318	(39,837)

Source: RKG Associates, Inc., 2013

3. Implications

3.1. Home Ownership

For Jefferson County, the excess demand of affordable homeownership options in the urban areas reduces the supply of homes at the lowest income thresholds. The available supply of homes tends to be lower in value and may have a number of factors that lead to negative marketability. An increase in the supply of marketable, moderately priced homes is needed to meet demand for such housing in West Louisville and the Downtown, East & South Urban neighborhoods.

To meet this need, organizations such as the Louisville Metro Housing Authority (LMHA), River City Housing and Habitat for Humanity have all completed projects or have projects in progress in West Louisville and the Downtown, East & South Urban neighborhoods. Many of these projects feature mixed income units, which have the potential to meet the demand for homeownership options for households at multiple income thresholds. Efforts to fill the gaps between supply and demand for affordable housing in these areas have focused on multi-block developments, like the LMHA Sheppard Square project and individual homes spread out over a larger area, like the River City Housing projects. Given the overall undersupply of homes for households making between 51% and 100% of AMI, continued efforts to meet the demand for affordable housing are needed.

3.2. Rental Housing

Generally, households with extremely low income or below will have the most difficulty finding affordable rental units in Jefferson County. This might partially explain the substantial amount of single family rental units in West Louisville, where there is a concentration of households seeking affordable rental units at a very low monthly rent. The recent increase in multi-family development in the Louisville Metro Areas may help to decrease gaps between supply and demand of affordable units for those at or above 50% of AMI, but not necessarily for the population most in need.

C. HISTORIC PRESERVATION AND PROBLEMS OF VACANT AND ABANDONED PROPERTIES

1. Introduction

In a study conducted in 2008 and sponsored by the non-profit Preservation Kentucky, preservation strategies were examined as a means to combat the large number of vacant and abandoned properties across the state of Kentucky and offered solutions for affordable housing. These strategies also defined how preservation can be utilized as a tool for economic development. The study, *Preservation in Kentucky*, examined preservation as a redevelopment strategy in "urban core Louisville" in greater detail:

> *"Historic buildings are affordable housing for the poor, elderly, and minorities. A significant portion of Kentucky's housing stock is 50 years or older and census analysis shows older housing is disproportionately occupied by the poor, elderly and minority populations. This is because older housing provides affordable rents for low-income populations. For this reason, communities should make a major effort to preserve older housing. Designated historic districts have higher increases in property values Properties located in local and National Register historic districts experience larger increases in property values than in unprotected or undesignated neighborhoods. Local historic designations are a vital tool because they provide investors with a greater assurance that their neighborhood is protected from inappropriate changes to architectural details."*[4]

Map 4-2 (page 4-21) identifies the homes identified as 50 years or older in Jefferson County. High concentrations can be found in the West Louisville neighborhoods and the Downtown, East & South Urban neighborhoods, making the issues of affordability discussed in *Preservation in Kentucky* particularly relevant. While all of these properties are not likely to be historically significant or contributing structures, they are of an age where the issues of preservation are relevant.

This section identifies existing policies established by Louisville Metro Government to utilize historic preservation as a strategy to address vacant and abandoned properties. Also identified are best practices found throughout the country of successful techniques employed by municipalities and other government entities to use preservation as a tool to rebuild declining communities.

2. Existing Local Policies

2.1. Historic Properties and Demolition Using Federal Monies (Section 106)

Louisville Metro Government receives CDBG funds from the federal government with an allocation for demolition. Properties that are identified as contributing historic structures are subject to the requirements of the Section 106 process. This ensures that the potential impacts to historic buildings and/or archaeological resources are evaluated appropriately when using federal dollars.

To streamline this process, Metro Government has a Programmatic Agreement with the Kentucky Heritage Council (the State Historic Preservation Office, or SHPO) which allows for determinations of contributing status in consultation with the SHPO and Louisville Metro's Preservation Professional. If a building is determined to be contributing, a cost analysis is conducted by a Preservation Professional to evaluate the cost of a structure's rehabilitation versus the cost of property acquisition, demolition or moving costs, and necessary relocation assistance. If the Preservation Professional determines that the rehabilitation cost is prohibitive, the cost analysis is submitted to the SHPO. The SHPO makes the determination either to accept the proposed demolition, or to consult further with Metro Government for alternatives to demolition.

Contributing historic properties generally fall into two categories. The first category includes properties that are currently listed in the National Register of Historic Places or located in a Local Preservation District (Landmarks Commission) that are contributing structures or individually listed historic properties. The second category includes properties that are evaluated and determined potentially eligible to be listed in the National Register of Historic Places. These

[4] Gilderbloom, John I., Erin E. House, Matthew J. Hanka. (2008). *Preservation in Kentucky*. Louisville, KY. Retrieved April 23, 2013, from http://sun.louisville.edu/preservation /PreservationinKentucky201-29-08.pdf.

individually eligible or contributing properties may have architectural or cultural significance that represent a period of time that defines the history of a neighborhood or community.

If the property in question is defined by the characteristics referenced in the first category, it is recommended that every effort be made to rehabilitate that property.

Private Demolition

Private demolitions (i.e., those not utilizing federal dollars) must also obtain approval. Subsection 150.110 of the Wrecking Ordinance requires a 30-day hold on the issuance of a wrecking permit if a building is eligible or listed in the National Register of Historic Places. This review of the wrecking permit application is conducted by the Landmarks Commission Historic Preservation Professional for buildings over 65 years in age.

2.2. Local Preservation District

Like many cities and metro areas, Metro Government utilizes preservation districts as a means to preserve and promote architecturally and culturally significant areas of the Metro area. The local preservation district designation is regulatory, unlike a National Register of Historic Places designation which is primarily honorary. With a local preservation district designation, exterior alterations including demolition must be reviewed by the Architectural Review Committee. As seen in Map 4-3 (page 4-22), preservation districts are located throughout Jefferson County. Local preservation districts provide a means to protect and preserve the architectural and cultural character of a group of structures or neighborhood.

2.3. Individual Local Landmark

The Landmarks Commission recognizes individual buildings as part of Louisville Metro Government's preservation initiative. The individual local landmarks designation is a method of preserving and promoting structures significant to the neighborhood, Metro area and State. Regulations that apply to buildings located in Preservation Districts are similar to those that apply to buildings designated as Local Landmarks.

2.4 Tax Incentives

"Tax incentive programs have been an effective tool for creating positive changes in historic areas. Kentucky is one of just 27 states in the country that provides tax incentives at the state level for commercial and residential historic rehabilitation projects."[5]

Metro Government should widely promote the use of state historic tax credits. Since the historic preservation tax credit provision of the Governor's 2005 JOBS for Kentucky Tax Modernization Bill was enacted, 257 commercial and owner-occupied residential projects have been completed. $5 million in funds are allocated to this tax credit, and are fully disbursed each year.[6] Raising this cap would allow for more properties to be renovated; particularly by home owners (this is the only tax credit available to them).

While homeowners can utilize the state historic tax credits, they cannot take advantage of the federal historic tax credits for appropriate investment in older properties deemed to be historic. The ability to receive both state and federal tax credits should be possible regardless of whether the intended future use is as an owner-occupied or investor-owned property (currently, federal historic tax credits are not available to non-income producing properties).

Metro Government does offer an Assessment Moratorium Program that "provides an incentive for making improvements to qualifying residential and commercial buildings in Louisville Metro by providing a 5 year moratorium of some of the local tax assessment that would result from the improvements". The existing tax moratorium program should continue to be encouraged and enforced. The City could also consider expanding the moratorium program to provide additional incentives with regards to vacant properties in targeted areas.

[5] Gilderbloom, John I., Erin E. House, Matthew J. Hanka. (2008)
[6] Kentucky Historic Preservation Tax Credit. Retrieved on August 9, 2013 from http://heritage.ky.gov/incentives/kytaxcred/

3. Best Practices and Recommendations

3.1. Proposed System for Sale of Tax-Foreclosed Properties

Recently, more cities find themselves owning dilapidated and abandoned buildings due to unpaid taxes. Many vacant and abandoned buildings can continue to deteriorate until they are seized by the city in a tax foreclosure process. When a tax foreclosure occurs, it is not uncommon for buildings to be auctioned with no regard for the future use of the building. In the case of Troy, New York, the city established a system by which the bidder would submit a 'purchase proposal' outlining the intended use of the property owned by the city of Troy. To the city, this was more important than the purchase price. This program enabled 110 city owned, seized properties, sold in 2002, to be redeveloped in historic communities.

Similar to Troy, New York's system, it is recommended that the creation of a conveyance policy for the sale of foreclosed property include provisions to assess the historic and cultural value of a property as a condition of sale.[7]

3.2. Advocacy and Marketing

Creation of a Catalogue of Home Ownership Opportunities

Doing the legwork by identifying available properties for investment can be as simple as photographing the buildings and compiling them into a catalogue for prospective non-profit and for-profit developers. As an example, the Hartford, Connecticut Local Initiatives Support Corporation (LISC) office delivered a product marketing the redevelopment potential of distressed buildings that they acquired. By doing so, LISC was able to take some of the guesswork out of identifying readily developable properties for investors curbing blight in their neighborhoods.

LISC's efforts to build this resource were particularly helpful for area nonprofits:

"The catalogue also encouraged nonprofit groups not engaged in renovating to become involved in rebuilding Hartford's historic homes. Without the catalogue, nonprofit organizations remain unaware of the number and locations of vacant buildings in Hartford that may be acquired and renovated for homeownership."[8]

Heritage Tourism

Heritage tourism highlights and promotes historic and cultural resources significant to a community while potentially spurring neighborhood redevelopment and increasing economic development. These assets tell the story of the community and are tangible resources that can be promoted. Heritage tourism includes working with existing historic preservation organizations to develop information on the economic impact of historic preservation.

As part of its New Jersey Heritage Tourism Plan, the New Jersey Historic Trust published a report outlining economic impact data and analysis that made a strong case for promoting heritage tourism. The report cited a national market study released in October 2009 stating that "78% of all U.S. leisure travelers participate in cultural and/or heritage activities while traveling, translating to 118.3 million adults each year."[9] These benefits are in addition to the ability to "generate local investment in historic resources," including job creation, increasing awareness of an area's significance and building community pride.

Within Louisville, NuLu and the Urban Bourbon Trail are examples of heritage tourism that have had a significant impact on the local economy and show how this model can be effective for neighborhood redevelopment.

Additionally, lecture series could be developed inviting speakers from successful historic preservation

[7] National Trust for Historic Preservation, *Rebuilding Community: A Best Practices Toolkit for Historic Preservation and Redevelopment,* (Washington D.C.: Laughlin/Winkler, Inc.,2002), p.16.

[8] National Trust for Historic Preservation, *Rebuilding Community: A Best Practices Toolkit for Historic Preservation and Redevelopment,* (Washington D.C.: Laughlin/Winkler, Inc.,2002), 21.

[9] New Jersey Heritage Trust, *New Jersey Heritage Tourism Plan Economic Impact Data and Analysis.*

movements, especially in lower income neighborhoods, to share their strategies and successes.

3.3. Design

Use of Design Guidelines to Direct Appropriate Neighborhood Redevelopment

Design guidelines are used to guide rehabilitation practices of existing salvageable properties and the development of infill construction that would replace demolished structures. Design guidelines can be used to preserve and enhance architectural character and overall planning of a neighborhood, while still being flexible enough to maintain affordability for residents. While the Historic Landmarks and Preservation Districts Commission have established design guidelines, they are focused on the retention of original materials, and govern exterior changes to the building envelope, as well as site. The declining urban core neighborhoods of downtown Louisville need guidelines that promote an affordable approach for existing homeowners while maintaining the overall character of the neighborhood. The guidelines should also be outlined in a manner that will not deter potential investors or redevelopment.

When the Martin Luther King, Jr. National Historic Site and Preservation District was established in Atlanta, Georgia, affordable and flexible design guidelines were created for residential development. These guidelines were established to make sure home ownership in a preservation district was not cost prohibitive for existing residents. The resulting policies enabled homeowners to continue maintenance on their historic property while containing the cost of the rehabilitation.

Nashville, TN has also implemented conservation zoning districts, which are locally designated. Within conservation zoning districts, new construction, additions, demolition and relocation are reviewed by the Metropolitan Historic Zoning Commission. This is a lighter, more flexible designation than the city's historic preservation zoning, which also requires reviewing exterior alterations such as replacing siding or installing fences.

3.4. Leveraging Public Private Partnerships

A lack of dedicated resources to identify funding, work with developers and contractors, and organize volunteers can often be the downside to municipalities establishing a presence in declining neighborhoods. Community development corporations, or CDC's, partnering with municipalities can lead to successes that both organizations can share.

SWAP, Inc., or Stop Wasting Abandoned Properties, a CDC located in Providence, Rhode Island, was formed by concerned community members to help residents rehabilitate vacant houses and construct new homes within their community. SWAP was able to use low-income housing tax credits (LIHTC), HOME and CDBG funds for operating and construction costs. SWAP's success stems from having staff experienced in all aspects of the development process which makes it less complicated to communicate and work with local government agencies. SWAP also successfully rid their neighborhoods of blight because they concentrated their resources in a small area which had a greater impact.

3.5. Adaptive Reuse and Affordable Housing

Louisville's non-profit community developer New Directions Housing Corporation (NDHC) has greatly contributed to providing affordable housing in declining neighborhoods. Their techniques for adaptive reuse and rehabilitation make them an excellent example to other developers and organizations. NDHC's implementation of adaptive reuse has led to over 1,000 rental units for families of low to moderate income. Their most recent efforts include adaptive reuse of a friary, three elementary schools and a former hospital providing 200 affordable rental units.

3.6. Financing Strategies for Historic Property Developments

One example of a financing strategy for historic property development is to set aside funding through the Landbank Authority to develop historic properties. Land banks are generally used to take in and hold vacant properties until they can be returned to productive use. A Landbank initiative could be designed to specifically acquire those blighted, historically significant properties.

As a mechanism to assist in controlling blight, the Landbank should consider acquiring vacant buildings that have historic significance and are located in Priority Project Areas. The Landbank Authority could assume the responsibility of preparing a detailed work write-up, cost estimate, and prepare a before/after rendering of the house at no cost to the potential buyer. This could be used as an incentive to encourage the sale and restoration of the house.

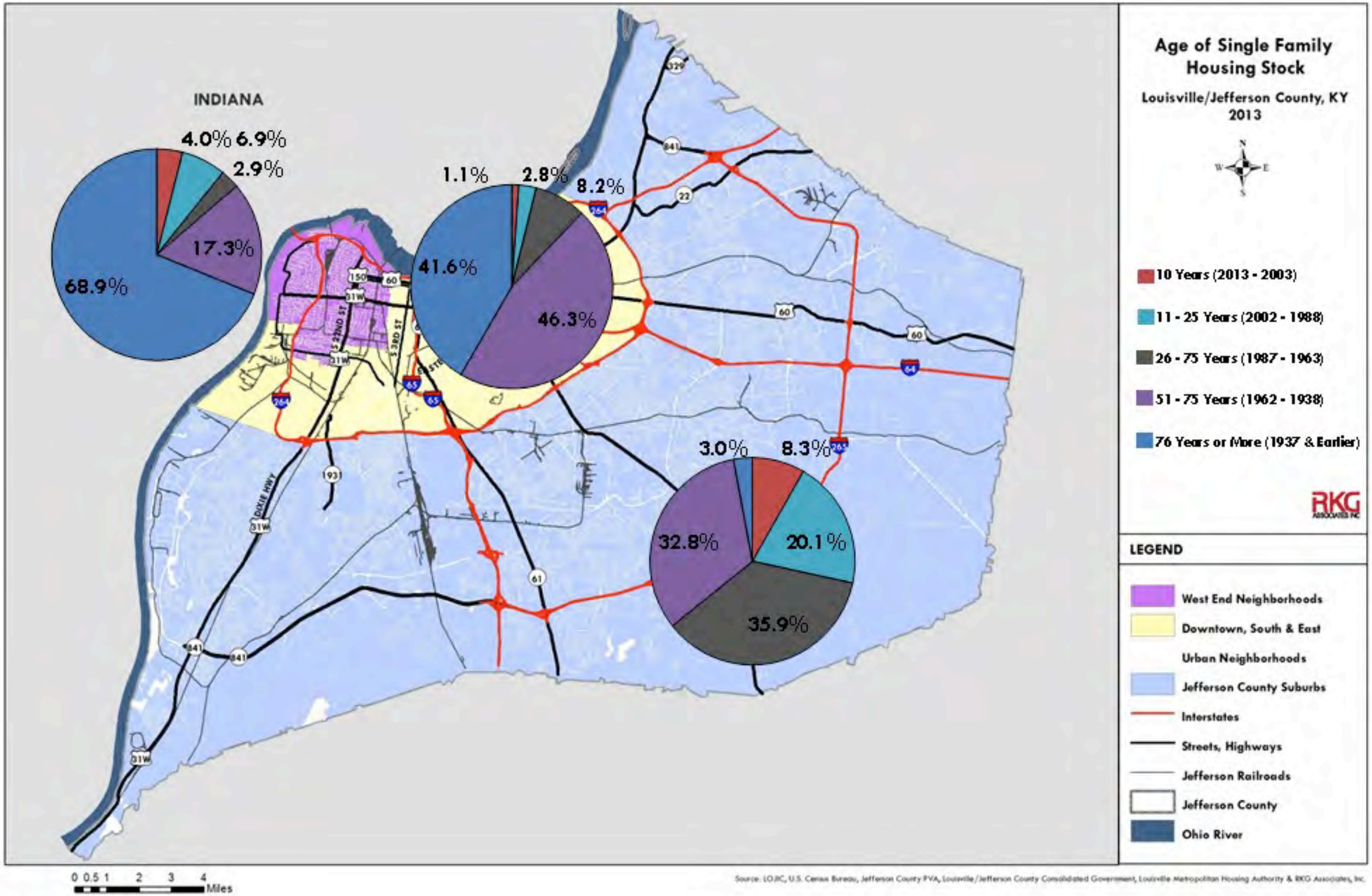
Another possible financing strategy is to fund and implement a down payment and closing cost assistance program focused solely on the rehabilitation of vacant and abandoned properties that are designated as historic. A program of this type might feature design assistance, preparation of work write-ups and ongoing technical assistance for proper maintenance of historical structures.

4. Implications

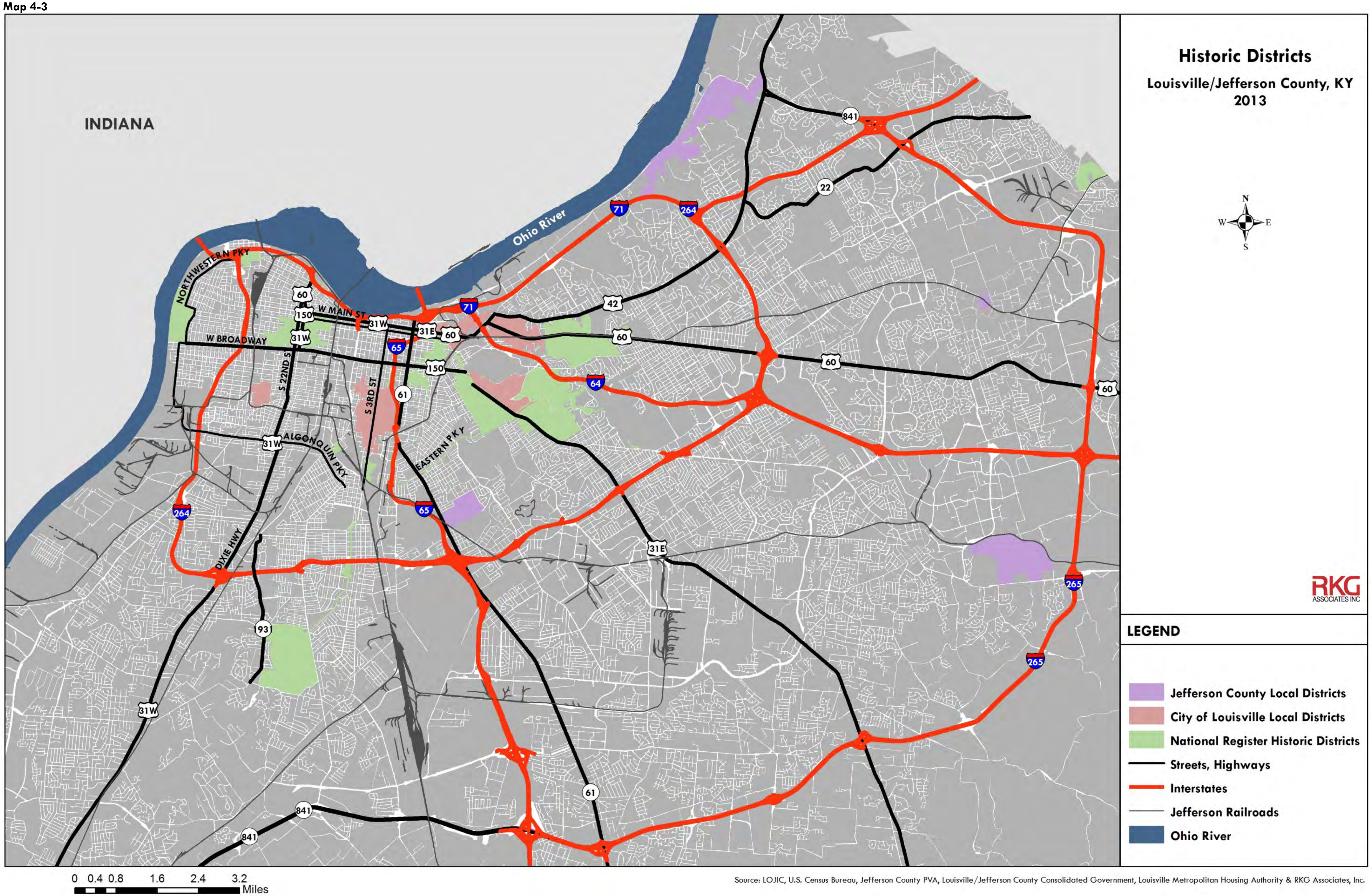
Currently, Louisville Metro Government promotes and preserves the aging and historic properties in Jefferson County through Preservation Districts and local landmark designations. Additional efforts to increase awareness about preserving historic properties has the potential to meet both preservation and affordable housing goals given the large amount of aging housing stock in Jefferson County. This is particularly the case in the West Louisville neighborhoods, where the housing stock does not meet all of the demand of lower income households in the area.

Increasing the knowledge base of interested developers, investors and homeowners by providing resources on incentives and techniques facilitates participation in preservation and further promotes it as an important element of community revitalization. The best practices described in this discussion demonstrate creative ways to incorporate preservation efforts at the local and state level. They also illustrate that successful preservation efforts involve the participation of public, private and nonprofit entities and utilize the strengths of each to achieve preservation goals.

Map 4-2


Age of Single Family Housing Stock
Louisville/Jefferson County, KY 2013
INDIANA
4.0%
6.9%
2.9%
17.3%
68.9%
1.1%
2.8%
8.2%
41.6%
46.3%
3.0%
8.3%
32.8%
20.1%
35.9%
10 Years (2013 - 2003)
11 - 25 Years (2002 - 1988)
26 - 75 Years (1987 - 1963)
51 - 75 Years (1962 - 1938)
76 Years or More (1937 & Earlier)
LEGEND
West End Neighborhoods
Downtown, South & East
Urban Neighborhoods
Jefferson County Suburbs
Interstates
Streets, Highways
Jefferson Railroads
Jefferson County
Ohio River
0 0.5 1 2 3 4 Miles
Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

Map 4-3



Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

THE VACANT AND ABANDONED PROPERTY CHALLENGE

The major issues addressed in this study deal mostly with the nature and severity of the vacant and abandoned property problem, its geographic dispersion, and the underlying housing conditions, demographic and market factors contributing to the current conditions. In addition, there are a number of procedural, statutory and implementation capacity issues that have an impact on the public, private and nonprofit sectors' response to the problem.

1. Characterization of the Louisville VAP Problem

1.1. Key Factors Contributing to Neighborhood Decline

There are a number of key factors contributing to the vacant and abandoned property problem in the Metro Louisville area. Some of these are historical factors related to high concentrations of poverty, poor housing conditions, crime, limited employment opportunities, and encroachment from railroad and industrial land uses. However, in the lead up towards and since the beginning of the previous recession in December 2007, Louisville's urban neighborhoods have been affected by a number of new factors that have exacerbated these conditions. Those include:

- Predatory Lending Practices,
- High Mortgage Failure and Foreclosure Rates,
- High Incidence of Tax Lien Sales,
- Large Numbers of Vacant and Abandoned Properties, and
- Declining Property Values[1].

1.2. Market and Financial Disincentives

The market context in Louisville's declining neighborhoods has not been positive for several years. For example, RKG's research indicates that approximately 28% of residential sales in the West Louisville neighborhoods since 2010 have been "less than arms-length" sales. The concept of an arm's length transaction commonly comes into play in the real estate market. When determining the fair market value of a property, the price for the property must be obtained through a potential buyer and seller operating through an arm's length transaction. Otherwise, the agreed-upon price will likely differ from the actual fair market value of the property.

For example, if two strangers are involved in the sale and purchase of a house, it is likely that the final agreed-upon price will be close to market value (assuming that both parties have equal bargaining power and equal information about the situation). This is because the seller would want a price that is as high as possible and the buyer would want a price that is as low as possible.[2]

In Louisville's urban neighborhoods, thousands of properties have been trading for prices that are below market value because the owner is under duress or the property has been foreclosed on. Over time, this starts to drive down the value of real estate, which is what is currently happening.

In addition, RKG estimates that as many as 6% of total home sales in West Louisville are likely arms-length investor sales, where single-family homes are trading at approximately 86% of current assessed values, down from 101% in 2008-2009. At the same time, declining real estate values may be creating financial disincentives for certain "actors" (e.g., lending institutions, investors, etc.) to take affirmative action to foreclose on under-performing properties, particularly vacant and abandoned properties.

[1] In 2013, the Jefferson County Property Valuation Administrator conducted a revaluation of the West Louisville neighborhoods, with property values dropping in some neighborhoods by as much as 17%.

[2] Investopedia website: http://www.investopedia.com/terms/a/armslength.asp

1.3. Existing Capacity and Resources to Support Change

Metro Government's capacity to respond to the growing problem of neighborhood blight and property abandonment is not proportional to the magnitude of the problem. There are no institutions (i.e., public, private or nonprofit sectors) engaged at a sufficient level to stem or correct this problem. In short, the response to the problem, in all its forms, needs to have a greater sense of urgency; a substantial funding commitment and a higher level of coordination to be effective at stabilizing and improving urban blight conditions. Currently, there is a lack of full-time staff dedicated to this problem. Although a number of Metro staff have responsibilities related to this problem, most can only dedicate part time to these issues in addition to their other job responsibilities.

1.4. Existing Property Conditions

According to RKG's analysis of average assessed property values, approximately 35% of single family homes in West Louisville's neighborhoods built since 2001 have assessed values per square foot that are less than 40% of the average assessed value for similar properties in Louisville-Jefferson County as a whole. Neighborhoods such as California (70%), Portland (52%) and Parkland (44%), have particularly large concentrations of properties that meet this criterion.

2. Identification of Marketable Areas and Real Estate Assets

2.1. Selection Criteria Characteristics

Private individuals, investors and developers will be drawn to residential areas and neighborhoods of relative stability in terms of housing conditions, real estate pricing, crime, the availability of neighborhood serving retail and public facilities, schools and a myriad of other factors. Identifying areas of stability or areas in transition is one approach to addressing urban decline. Decisions about where to make future public investments should be mindful of these factors, especially in neighborhoods where real estate marketability is very low and blight conditions are severe. For a complete analysis of neighborhood marketability, refer to Section 6 – Neighborhood Marketability Analysis.

2.2. Leveraging Public Investments

Metro Government should make strategic investments in areas that will produce an investment response from other important development players (i.e., for-profit and nonprofit developers, real estate investors/speculators, housing service providers, etc.). This requires an understanding of the ever-changing vacant and abandoned property problem; a clear sense of the strategies required to encourage revitalization and the recognition that vacancy and abandonment are just symptom of a larger neighborhood decline problem. Private investment money typically flows to where public dollars are being spent, usually in the form of federal grants, loans, financial subsidies and infrastructure investments.

2.3. Allocation of Public Dollars

Public investments and subsidies must be used to stimulate revitalization in areas where private money wants to flow. This strategy is not always consistent with federally funded projects and programs that direct monies to areas of highest need in order to benefit the greatest numbers of low and moderate income households. While this is an appropriate and reasonable objective, it tends to direct limited public funds to the least desirable areas with the highest investment risk and the greatest obstacles to success. While this is not avoidable in many cases, creative approaches are necessary to blend public money from a variety of different sources for a variety of different needs, with the emphasis on producing benefits for a more economically diverse population.

3. Need for Administrative, Legal and Legislative Initiatives

3.1. Code Enforcement and Blight Elimination Activities

Metro Government's code enforcement, abatement, judicial foreclosure/escheatment, triple taxation, tax lien sales, and demolition initiatives are designed to initiate public action against the most persistent cases of property vacancy and abandonment. While these activities are intended to resolve "problem" properties, there is evidence to suggest that some of these actions may be producing mixed results or unintended consequences such as delayed foreclosures, loss of public control and the erosion of neighborhood character. In addition, enhanced tax liens and fines on low value properties have the potential to diminish or eliminate the financial incentives of investors looking to acquire properties for resale or redevelopment. Metro Government should seek a balance between the recapture of back taxes and the longer-term objective, which is to revitalize areas and return properties to their full use and market value.

3.2. Redevelopment Powers & Authorities

In order to address the vacant and abandoned property problem, Metro Government must create an implementation entity with the necessary powers and legal authorities required to address the full range of challenges facing the City's declining neighborhoods. RKG Associates believes that an Urban Renewal Authority, combined with the enhanced powers of the Landbank Authority, Inc. and the Vacant Property Review Commission would be the best course of action to lead this effort. These entities are granted complementary powers under state enabling legislation to acquire, sell and manage real estate, clear title, enter into development agreements, sell revenue bonds, establish tax increment financing districts, condemn property, undertake "spot" condemnation and a variety of other actions in support of this effort. However, none of the entities on its own possesses all these powers and they will have to function in partnership to properly address the problem at all levels.

3.3. Title Clearance and Land Assembly

The current Landbank Authority should be restructured and authorized to undertake more aggressive actions to acquire, hold, assemble properties, clear title and repackage real estate for redevelopment. These actions should be undertaken in strategic cooperation with a newly created urban renewal authority called "LouisvilleNOW." This joint authority should work in partnership with a variety of private and nonprofit development partners, investors and individual property owners.

3.4. Deed Recordation Requirements

Kentucky state statutes do not place time limits within which the owner of real estate must publically record a legal deed confirming the owner of record. Not recording a real estate deed makes it difficult to identify the legal owner of a property, thus allowing the owner to avoid responsibility for maintaining the property.

3.5. Zoning and Land Use Amendments

West Louisville's residential neighborhoods are suffering from severe encroachment from more intense land uses such as industrial, warehousing, railroad lines, interstate highway corridors and vacant commercial buildings that no longer meet the needs of contemporary businesses. Urban redevelopment is necessary to address the most severe conditions that appear to be affecting the "livability" of some neighborhoods. This problem is most severe in areas such as: Russell, Portland, California and Parkland.

3.6. Actions/Inactions Contributing to Blight Conditions

A combination of factors is leading key actors to take actions that are contributing to the severity of the problem.

Lenders

According to some stakeholders interviewed by RKG Associates, some lenders may not be initiating foreclosure proceedings and courthouse sales because the perceived value of some properties is less than the value of back taxes, abatement liens owed or the staff and legal expense to initiate action. In some instances, the bank has already written off the property in an accounting sense and does not take action, resulting in the property declining without maintenance.

Investors/Speculators/Home Buyers

If foreclosed properties are sold at auction for less than 2/3 of the appraised value of the property, a one year right-of-redemption is instituted, whereby the original owner could purchase the property from the successful bidder for the sale price plus 10%. This creates a disincentive to purchase properties for redevelopment, or for purchasers to maintain the property during this one year period as they do not have assurances that their investments will be protected. In addition, buyers of foreclosed properties do not have time limits to take title to the property, thereby allowing it to revert back to the original owner/mortgagor. Should they decide they do not want the property, it's often after the original homeowner has left the property and is unaware that they still have ownership/maintenance responsibilities.

Homeowners

Anecdotal evidence through stakeholder interviews suggests that some homeowners may have chosen to vacate and abandon their homes before foreclosure proceedings are initiated or evictions are ordered. This eliminates a potential resolution of the issue between the homeowner and lender and results in a premature vacant and abandoned property. In addition, since the original mortgagor remains the legal owner, the lender can legally avoid responsibility for maintaining the property and the structure declines and remains undetected until code enforcement officers are alerted.

3.7. Tax Liens and Foreclosure Policies

The city has been exploring options related to the sale of tax liens and its impact on vacant and abandoned properties, including issuing a Request for Information (RFI) seeking information on alternate models. The city should continue to evaluate all options available and pursue policies that do not create or exacerbate vacant and abandoned properties. The city must balance its fiscal obligations, limited bonding authority, and limited public dollars and determine how they would be best put to use. For example, would those limited dollars best be spent acquiring and demolishing vacant and abandoned properties or buying tax liens? These are the difficult questions facing policy makers.

4. Implications

This combination of factors are creating the context for Louisville's vacant and abandoned property problem and must be addressed where possible to start to correct the problem. In some cases, changes to state enabling legislation will be necessary in order to give Louisville Metro Government the powers, authorities and implementation tools it needs to be successful.

A. NEIGHBORHOOD MARKETABILITY ANALYSIS

1. Introduction

The RKG Team's approach to understanding the vacant and abandoned property problem in Jefferson County required the creation of a customized property evaluation system based on each respective property's "marketability" to investors, developers and future occupants. This section provides an overview of the method used to determine neighborhood marketability at a parcel level, the findings of this analysis, and its implications for approaches to implementation.

1.1. Purpose and Objectives

The neighborhood marketability analysis was developed out of a need to provide a "first-cut" method for determining where future investment by Metro Government might have the most impact and greatest effect on mitigating challenges related to vacant and abandoned properties. The RKG Team identified fourteen important and measurable factors that could be considered by developers, homebuyers and investors when buying or renting a home in a given area. However, these are not all of the possible factors to be considered in making real estate investment decisions and the analysis should be considered one tool amongst others to identify potential revitalization target areas.

1.2. Methodology

The term "marketability" in this context refers to the myriad of factors that contribute to an investor, developer or homebuyer/renter's assessment of a given property or neighborhood based on a number of known variables (highlighted in Table 6-1). In this regard, the analysis attempts to weigh a series of positive and negative factors that help shape a person's perception of a given area. While it's very difficult to model human behavior, RKG used a number of known, measurable factors that correlate with "go/no go" real estate investment decisions.

Parcels were assigned a score for each of these factors on a scale of -4 to +4 depending on the factor being evaluated. In cases where the existence of a factor was anticipated to affect the marketability of the surrounding area, a radius was applied to its location. For example, parcels within a one mile radius of a grocery store obtained a score associated with this factor.

Every factor received a weight based on its perceived importance to marketability. The sum of these weighted factors was then represented on a GIS-based map to place these total marketability scores in a locational context. Given the availability of data, residential parcels received scores based on all factors. Non-residential parcels were assigned only one factor: percent of average assessed value per square foot. The analysis focused primarily on factors impacting residential parcels due to the prevalence of vacant and abandoned properties in predominantly residential areas of Louisville-Jefferson County.

1.3. Data Sources

Sources of data for this analysis included the Jefferson County Property Valuation Administrator's assessor's database, the U.S. Census Bureau, and property inventories from Metro Government. Crime data was provided by the Jefferson County Police Department, public housing data came from the Louisville Metro Housing Authority and the Center for Environmental Policy and Management at the University of Louisville. The Metropolitan Housing Coalition provided foreclosure sales data and poverty data; commercial property and retail locations came from Esri. APD Urban Planning & Management produced the housing condition block rating system.

Table 6-1
Louisville-Jefferson County
Property Marketability Factors

HOUSING DISTRESS FACTORS	Field Description	Weight
Assessed Value of Parcels	*Percentage of Average Value/SF* Single Family Duplex/Triplex Condo/Coop Mobile Home	14
Foreclosure Sales	*Number of Sales by Zip Code* 0 - 49 50 - 156 157 - 375 376 - 635 636 - 918	7
West End Condition Rating Condition Assessment [1]	*Condition Rating* 1: stable block 2: stable block, 1-2 blighting influences 3: blighted but stabilizing factors 4: blighted level 1 5: blighted level 2 6: demolition candidate	14
Homeowner Status	*Status* Optimal: owner in Louisville, KY Acceptable: owner within KY Not Ideal: owner outside KY Exempt: properties owned by city/county	11
	Category Total Weight:	46%

LAND RESOURCE FACTORS	Field Description	Weight
City Owned/Actionable Parcels	*Parcel Status:* Land Bank City Asset County Asset Potential Surplus Vacant/Abandoned Property	14
City - Identified Priority Parcels	*Parcel Status:* Priority Foreclosed Property Escheatment	3
Residential Vacant Lots	*Parcels meeting one of the following criteria:* Property Class – Residential Vacant Lots Parcels with building size of 400 sqft or less Parcels without an improvement value	7
Minimum Residential Lot Size	Residential Parcels < 4,500 SF	7
	Category Total Weight:	**31%**

LAND USE PROXIMITY FACTORS	Field Description	Weight
Public Facilities/Amenities	Close proximity to park, church, public school	1.5
Commercial/Retail Areas	Near bank, grocery store or pharmacy	3
Industrial/Railroad Areas	Close proximity to industrial area/railroad line or R.O.W.	1.5
	Category Total Weight:	**6%**

SOCIAL INDICATORS	Field Description	Weight
Crime Data	*Type of Crime* Violent Crime Property Crime	7
Percent Below Poverty	Percentage Range	3
Public Housing	*Housing Program* Public Housing Section 8 (Vouchers & Project Based)	7
	Category Total Weight:	**17%**

Source: RKG Associates, Inc., 2013

2. Marketability Factors

Factors for assessing the marketability of parcels fall into one of four categories closely related to the key factors contributing to neighborhood decline. These categories include: (a) housing distress, (b) land resources, (c) land use proximity, and (d) social indicators (Table 6-1). An expanded version of this table including the scores associated with each factor can be found in Appendix Tables 6-1 and 6-2.

While similar in nature, the block condition ratings described in Section 4 differ from the Marketability Analysis results in the following ways. First, the block analysis only took into account one factor: the general physical condition of the residential block as observed from a windshield survey. The marketability analysis includes the results of the block analysis, but also accounts for thirteen other quantifying measures that relate to the "marketability" of an area. While condition is perhaps the most important factor, the analysis also accounts for price; the incidence of crime; community facilities; and a number of other factors described below.

2.1. Housing Distress Factors

To potential investors or homeowners, signs of distressed housing can be a deterrent based on perceived or real declining conditions and lower property values. The factors in this category were assigned scores to reflect the negative effect that housing distress can have on a property and its surrounding properties. Given that the signs of housing distress manifest themselves in a visible manner and play an important role in investment decisions, factors in this category made up 46% of the total score for each parcel.

Assessed Value

As discussed earlier in this report, assessed value of a property can be one measure used to determine the condition of a property. For the marketability analysis, the assessed value per square foot of each parcel was compared to the average assessed value per square foot of similar parcel types in all of Jefferson County. Parcels with an assessed value per square foot of 80% to 100% of the County average received a score of +1. Parcels with values below 80% of the County average received decreasing scores from -1 to -4 in 20% increments. If a parcel's assessed value per square foot was between 100% and 140% of the County average, scores of +1, +2 or +3 were awarded. Parcels with an assessed value per square foot of 141% of the County average or more received a score of +4. A weight of 14 was applied to all scores to reflect its high level of importance in the marketability of a parcel.

Foreclosure Sales

Foreclosure sales are an indication of the level of foreclosure activity in a neighborhood or region. The marketability analysis expresses the negative relationship between high concentrations of foreclosure sales and increased housing distress. Using foreclosure sales from 2006-2010 by zip code, the consultant assigned each parcel a score based on the quantity of foreclosure sales. Zip codes with less than 50 foreclosure sales received a score of +1. For parcels in all other zip codes, the greater the quantity, the more negative the score. Therefore, parcels in zip codes with 636 to 918 foreclosure sales received a score of -3 while parcels in zip codes with 50 to 635 foreclosures sales were given scores of -1 or -2. A weight of 7 was applied to these scores reflecting the fact that foreclosure sales are a moderately important factor to marketability.

Block Condition Rating

In addition to evaluating property condition based on assessed value, the block-level condition rating assigned by APD Urban Planning & Management was included for parcels in the West Louisville area. Parcels on stable blocks that had a rating of 1 or 2 received a score of +4 and +2 respectively. Blocks that were blighted but had stabilizing elements received a score of +1. For parcels on blocks that were blighted, a score of -1 or -2 was assigned based on the severity of blight. In blocks that were considered demolition candidates, parcels received a score of -4. Similar to assessed value, a weight of 14 was applied to scores assigned because condition has a high level of importance to marketability.

Homeownership Status

Another factor related to housing distress is homeownership status. As discussed in Section 4, a residential unit that is owner-occupied or has a local owner has the potential to be better maintained than properties with absentee landlords. Based on the current address of the property owner in the assessor's database, parcels were categorized by where the owner resides.

Homeownership status was considered Optimal and received a score of +2 if the owner lived in Louisville, Kentucky. If the owner resided in the state of Kentucky, the homeownership status was Acceptable and the parcel received a score of +1. Owners whose current address were listed as outside the State of Kentucky were considered Not Ideal and parcels with this status scored a -1. In some cases, a parcel was Exempt and owned by Louisville Metro Government. This was considered to be as positive as having a local homeowner and a score of +2 was assigned. While not as important as assessed value or the condition rating, homeownership status was considered to be more important than foreclosure sales and scores in this category were weighted by a factor of 11.

Land Resources Factors

Land resources that are ready for sale and easy to develop can make some parcels more marketable than others. In general, the factors in this category are seen as assets to the areas where they are located. Many of the parcels which received positive scores in this category are within government control and have the potential for immediate action. In this regard they are considered valuable assets or land resources that can be put to a higher and better use. By itself, a parcel's availability does not make it marketable, but it can contribute to a site's redevelopment or larger scale revitalization activities and is a notable factor that makes up the second largest percentage of the total score (31%).

City Owned/Actionable Parcels

Parcels either owned by Louisville Metro Government or identified as properties to which Metro Government can apply direct action (e.g., initiate a municipal foreclosure action) are considered one factor within the land resources category. Properties owned through the Landbank Authority received a score of +2. These parcels received a positive score because selling these parcels at a price that facilitates redevelopment efforts is a primary objective of the Landbank Authority. Metro-owned properties identified as potential surplus and available for sale received a score of +1. These parcels received a slightly lower score than Landbank parcels because at the time of the analysis, the sale of these parcels was primarily viewed as a source of revenue for Metro Government and not a way to meet redevelopment objectives. Finally, properties identified as vacant or abandoned were considered assets given their potential for rehabilitation and future part in neighborhood revitalization. These parcels also received a score of +1. A weight of 14 was applied to these scores to reflect the high level of importance that Metro Government ownership or interest plays in the marketability of a parcel.

City Interest Parcels

City interest parcels are those properties whose fate is of interest to the City because they are properties in transition. These are parcels that Metro Government has initiated foreclosure on via abatement liens. Reflecting the potential and opportunity associated with these parcels, each property with these designations received a score of +1. This factor was considered only slightly important to overall marketability and scores received a weight of 3.

Residential Vacant Lots

Residential vacant lots are viewed as assets because of their potential availability for development that can further neighborhood revitalization. A parcel was considered to be a residential vacant lot if it had a PVA property classification of Residential Vacant Lot, did not have an assessed value associated with an improvement (building) or only had a structure considered an accessory building of 400 square feet or less. These potentially development-ready parcels were given a score of +2. Vacant lots were considered moderately important to parcel marketability and a weight of 7 was applied to all scores.

Minimum Residential Lot Size

Lots were considered easier for redevelopment when they are large enough to build marketable, modern housing. Therefore, parcels with lot sizes of less than 4,500 square feet received a score of -2. Those parcels 4,500 square feet or greater received a score of +2. Similar to vacant lots, lot size was considered moderately important to the marketability of a parcel. Therefore, scores were weighted by a factor of 7.

2.2. Land Use Proximity Factors

The convenience of a nearby grocery store or proximity to a less desirable land use, such as a railroad line or industrial complex, can influence where people choose to live and where developers locate new residential projects. For the analysis, scoring of these factors was based on the advantage or disadvantage of a parcel's proximity to these uses. While these factors play some role in investment decisions and perceptions of an area, it was determined that they were less critical when compared to other marketability factors. Therefore, they account for only 6% of the total score for each parcel.

Public Facilities/Amenities

Many homeowners and renters look for housing that is near a park, public school or a church. These public amenities provide a variety of services for the neighborhood in which they are located. As an asset to a property's marketability, parcels within a 500 foot radius of any of these public facilities or amenities were given a score of +1. The role that proximity to a public facility or amenity plays in marketability was considered to be minimally important, so a weight of 1.5 was applied to these scores.

Commercial/Retail Areas

Convenience is another factor that is attractive to homeowners and renters. Properties near banks, grocery stores or pharmacies were considered more desirable due to the ease with which residents can access these businesses. Parcels within a one mile radius of a bank, grocery store or pharmacy received a score of +1. Considered slightly more important to marketability than proximity to public facilities and amenities, scores for parcels near commercial and retail areas were weighted by a factor of 3.

Industrial/Railroad Areas

Not all businesses or land uses add to the marketability of a property. Industrial sites are often considered less ideal neighbors due in part to noise and heavy traffic associated with production and manufacturing. For parcels within a 500 foot radius of industrial land uses,. a score of -1 was assigned. Similar to industrial properties, railroads were also considered less desirable land uses due to noise and safety concerns. Therefore, properties within a 500 foot radius of a railroad received a score of -1 as well. Similar to proximity to a public facility or amenity, being near an industrial area or railroad was considered minimally important to marketability and a weight of 1.5 was applied to scores for this factor.

2.3. Social Distress Factors

Marketability and what attracts investment depends on the perception of the area as a reflection of its environment. In an effort to capture the perception of a potential homebuyer or investor, social indicators related to these factors were scored relative to the degree to which they might impact marketability. Acknowledging that these social indicators play a role in investment decisions, this category makes up 17% of the total score for each parcel.

Crime Data

To the extent that incidents of crime contribute to a perception of the level of crime in an area, the location of property and violent crimes were included in this analysis. Parcels within a 50 foot radius of the location of a property crime received a score of -1. Given that violent crime is more severe, parcels within a 300 foot radius of incidents of this type were assigned a score of -2. The perception of crime was considered to be moderately important to marketability of a parcel. Therefore, scores were weighted by a factor of 7.

Percent Below Poverty

Similar to the perception of crime, the level of poverty that exists in an area can affect the perceived desirability of a property. To account for this, the percent of the population below poverty level (calculated in the 2011 5-year estimates from the American Community Survey) was used to evaluate this factor. For parcels in areas with 0% to 25% of the population below the poverty level, a score of +2 was assigned. If a parcel was in a census tract with 25% to 50% of the population below poverty level, the parcel received a score of +1. When 50% to 75% of the population was below the poverty level, the parcel was given a score of -1. Parcels in areas with the highest concentration of poverty – those with 75% to 100% of the population below the poverty level – received a score of -2. The level of poverty of an area was determined to be minimally important to the marketability of a parcel. Scores were weighted by a factor of 3 to reflect this level of importance.

Public Housing

The existence of public housing and properties that accept Section 8 Vouchers have the potential to affect the perception of the neighborhood in which they are located. Public housing, particularly older vintage developments, can have a slightly negative perception due to their austere design, and in some cases, poor housing condition. To the extent that these conditions exist in Louisville, RKG assigned a slightly negative value of -1 to these properties. On the other hand, properties that accept Section 8 Vouchers were considered more advantageous given the standards residential units must meet to qualify to accept Section 8 Vouchers. Therefore, these parcels were given a slightly positive score of +1. Scores associated with the location of public or subsidized housing were determined to be moderately important to marketability and were given a weight of 7. It's important to note that the values assigned to these factors are meant to reflect common perceptions, which in turn could affect people's decision about where they live or the properties they invest in. However, as a marketability factor, it is considered fairly low in terms of its value and weighting in the overall marketability score.

2.4. Non-Residential Parcels

The factors outlined in the preceding section were developed from the perspective of the marketability to future homeowners, renters, and investors. Therefore, they are most relevant to residential parcels in Jefferson County. When non-residential parcel data was available, an alternate method of rating parcels was used. Non-residential parcels received a score and accompanying weight of 14 based on their assessed value when compared to the average assessed value for the property type. Therefore, the total scores for non-residential parcels are smaller based on the limited criteria upon which marketability was determined.

3. Neighborhood Marketability Findings

The final marketability score represents the total sum of each weighted factor. For residential parcels, these scores range from -159 to +140, for non-residential parcels the range is -56 to +56. This total was then applied to each parcel on a map using color coding to represent the range of total scores (Maps 6-1 to 6-3).

For residential properties, green parcels indicate the balance of scores was positive and considered favorable to its marketability. A range of greens were used to reflect the strength of the positive score. Parcels with scores from +0.5 to +30 are pale green. A medium shade of green represents scores ranging from +30 to +60. High positive scores from +60 to +140 are represented by dark green.

Red represents an overall negative score and a parcel which possesses fewer of factors that are considered favorable to investment. Parcels with a pale red or pink color received scores between -0.5 and -30. A bright, middle shade of red represents scores from -30 to -60. Parcels that received the highest negative scores, from -60 to -159, are represented in dark red. On the other hand, parcels that received a score of 0 are represented by yellow.

Non-residential parcel marketability is expressed in a similar manner. Like residential parcels, the highest positive scores, +28 to +56, were represented by dark green. A medium shade of green was used for the remaining positive score of 14. Alternatively, a moderately negative score of -14 was represented by a middle shade of red. Parcels with the highest negative scores of -28 and -56 were dark red. Due to the single criteria used to determine non-residential marketability, a limited number of final scores were possible. Therefore, the range of colors used to represent the variation among parcel marketability was similarly limited.

3.1. Jefferson County Suburbs

Overall, as seen in Map 6-1, the areas with the highest marketability were found in the northeastern and southern parts of Jefferson County. A mix of marketable parcels exists in the southwestern suburban neighborhoods. As a whole, marketability transitions from high positive scores to moderately positive and slightly negative scores when moving from East to West. Parcels closest to the urban areas in the northwestern parts of Jefferson County were generally less positive than those further out in the suburbs.

3.2. Downtown, East & South Urban Neighborhoods

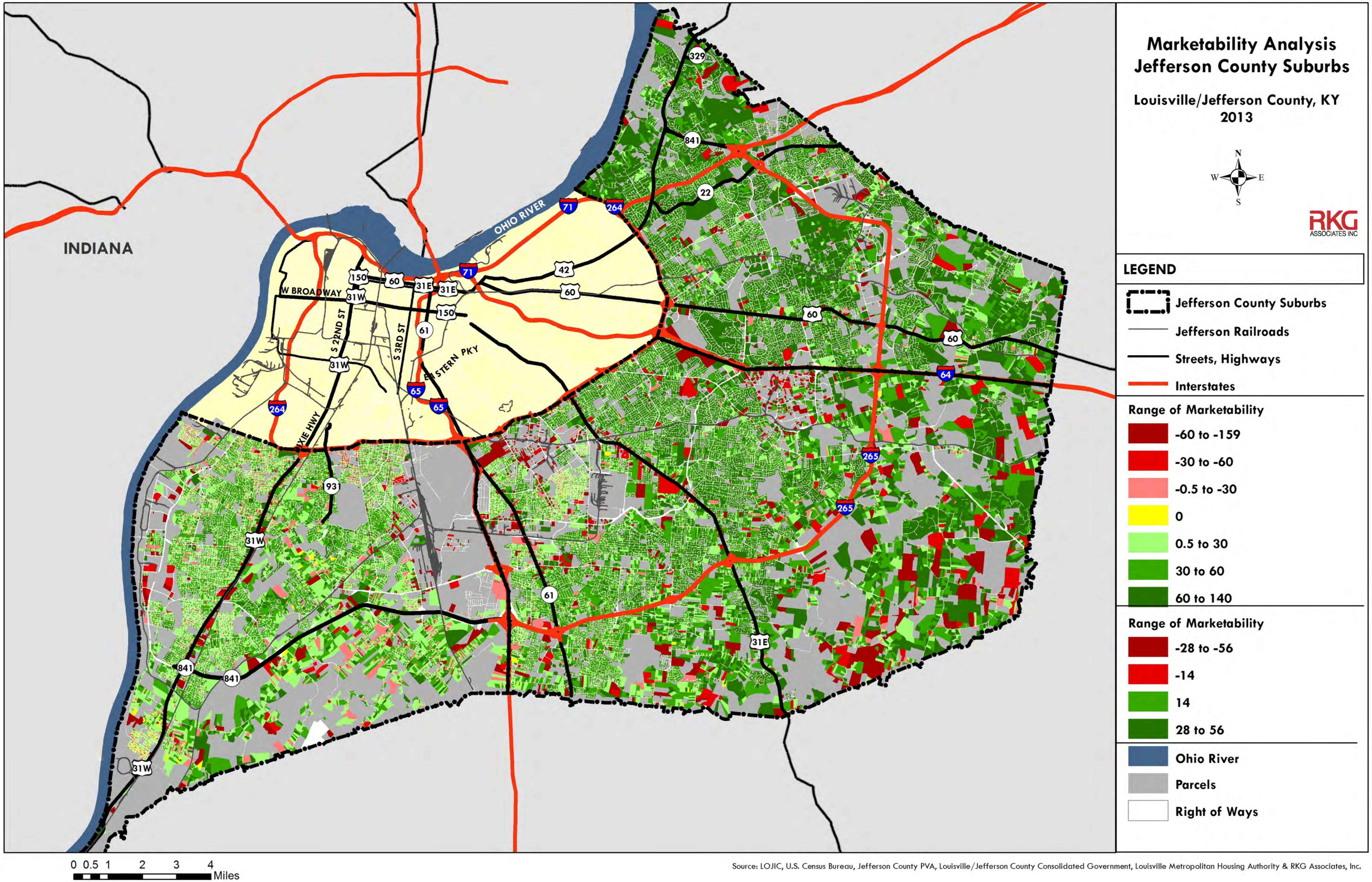
Map 6-2 shows that this area has similar marketability patterns to those seen across the County. The areas with the greatest number of positive factors are concentrated in the East. Moving closer to Downtown and West Louisville, a larger number of slightly green parcels and a range of red parcels represent a greater number of associated negative factors affecting marketability.

3.3. West Louisville Neighborhoods

Overall, the western and southern parts of West Louisville have a greater number of positive factors, as reflected by the concentration of green parcels seen in Map 6-3. The largest concentration of negative marketability scores are along the railroad corridor and I-264 right-of-way and in the north and eastern sections of this area. At a neighborhood level, Park DuValle, Chickasaw, Hallmark and Shawnee had the largest number of parcels with positive marketability scores. Portland, Parkland and the western sections of Russell, California and Park Hill are overall less marketable and have more parcels with negative scores.

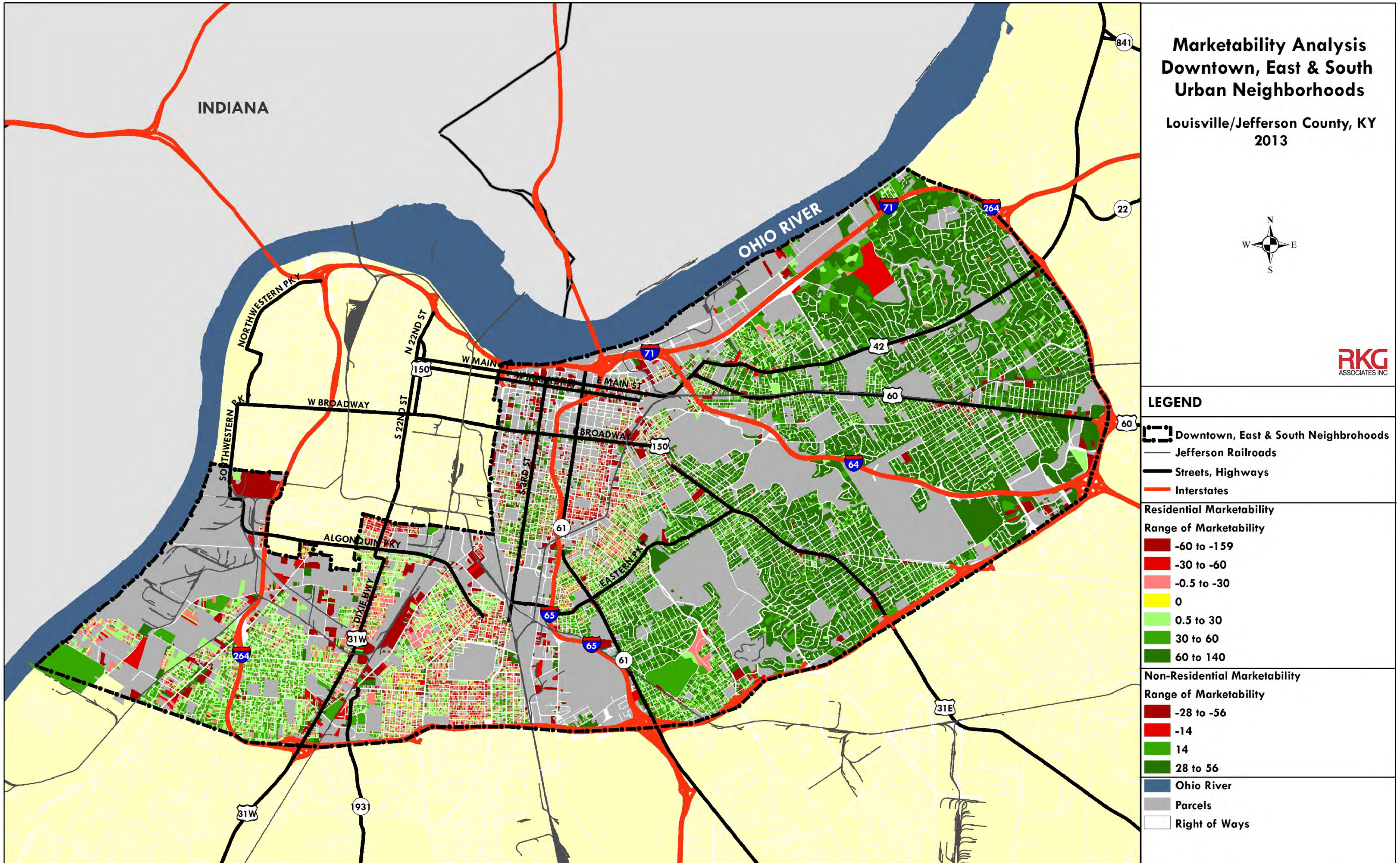
Comparisons can also be made between the overall marketability of the West Louisville neighborhoods and the housing condition block analysis rating system used by the RKG Team based on an in-field visual inspection. In general, the visible conditions of the neighborhoods were consistent with their range of marketability described above. However, in Shawnee and Chickasaw, the conditions attributed to visual assessment were less severe in some areas than the marketability analysis suggests. This could be due to the fact that the marketability analysis takes into account factors such as crime, which do not always have a visible impact on the housing stock of a neighborhood but might affect the housing choices of future residents. In general, the trends observed in the field were similar to the trend in marketability scores in West Louisville.

Map 6-1



Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

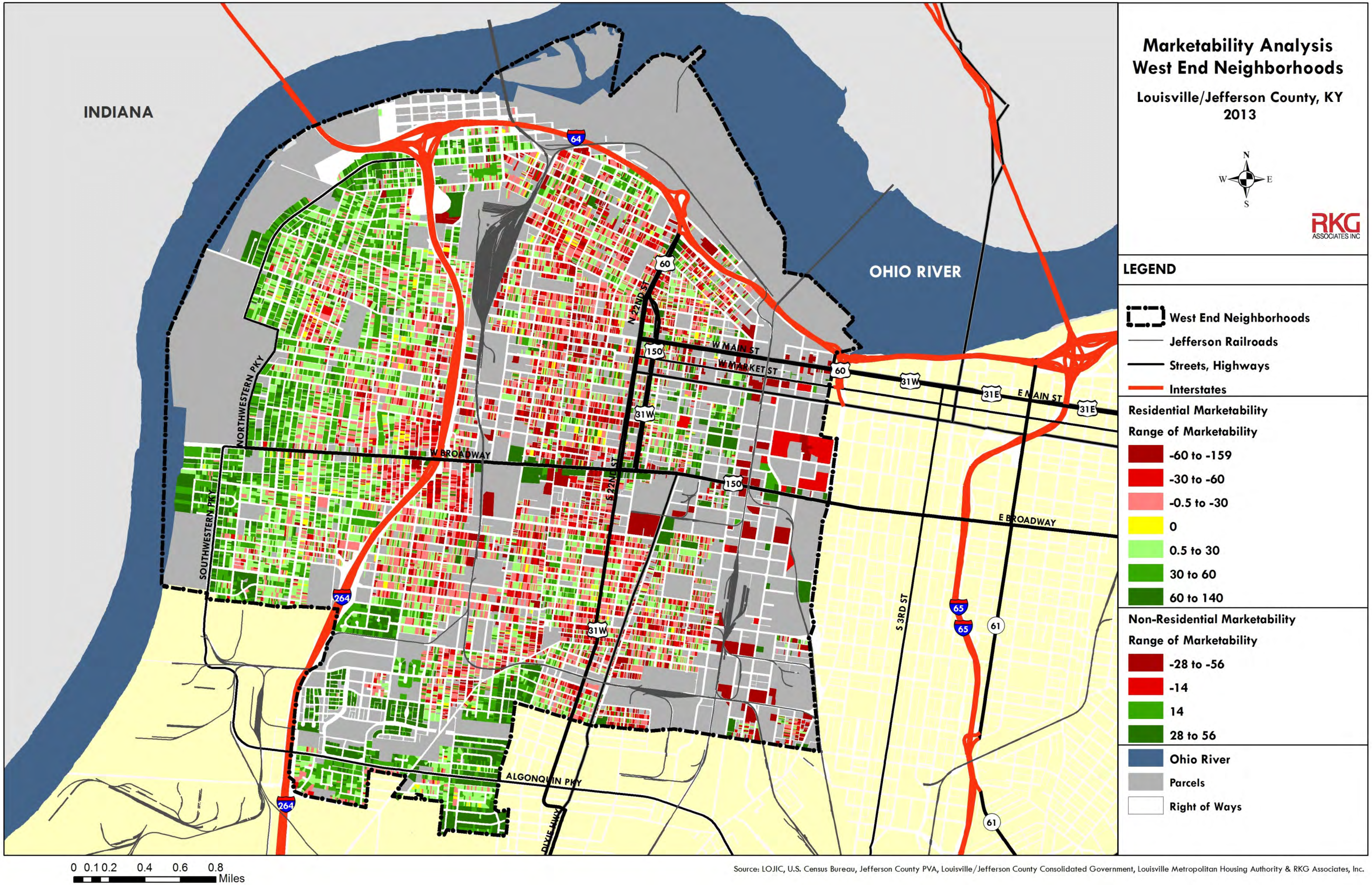
Map 6-2



0 0.275 0.55 1.1 1.65 2.2
Miles

Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

Map 6-3



Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

B. REAL ESTATE MARKET ACTIVITY

The marketability of an area provides a broad perspective on the positive and negative factors that can impact where developers and homeowners choose to invest. Development trends and recent sale of residential properties in Jefferson County can provide a more in-depth analysis of the current status of the real estate markets in the West Louisville, Downtown, East & South Urban neighborhoods and the Jefferson County suburbs. To analyze the real estate markets in Jefferson County, the consultant used assessment data and real estate transaction records from the Jefferson County Property Valuation Administrator.

1. Residential Development Trends

1.1. Development Activity

By 2012, the Jefferson County suburbs had a total residential housing stock of 167,064 single family, condominium and duplex/triplex properties. Of those units, 23,692 (14.2%) have been added since 2001. In comparison, the West Louisville neighborhoods added 1,196 units (6%) and the Downtown, East & South Urban neighborhoods added 1,437 units (2.4%) during the same period of time (Table 6-2, Appendix Tables 4-1 to 4-3).

The large percentage of residential units of all types added in the suburban neighborhoods is consistent with the large amount of readily developable land in this part of Jefferson County. Both of the urban areas added roughly the same number of residential units over the last 11 years, but the greater pace of activity in the West Louisville neighborhoods is especially noteworthy given the limited availability of land. This increased pace could be due in part to redevelopment activity facilitated by the low price for residential properties in this area, which have average assessed values that are notably lower than those in the Downtown, East & South Urban neighborhoods.

Table 6-2

Development Trends
Single Family, Duplexes, Triplexes and Condominiums; Comparative Neighborhoods

Year Built	Residential Units	Share of Inventory
WEST END NEIGHBORHOODS		
Pre-2001	18,806	94.0%
2001-2005	809	4.0%
2006-2012	387	1.9%
Total	20,002	100.0%
Total Units Added 2001-2012	1,196	6.0%
DOWNTOWN, EAST & SOUTH URBAN NEIGHBORHOODS		
Pre-2001	57,554	97.6%
2001-2005	767	1.3%
2006-2012	670	1.1%
Total	58,991	100.0%
Total Units Added 2001-2012	1,437	2.4%
JEFFERSON COUNTY SUBURBS		
Pre-2001	143,372	85.8%
2001-2005	15,604	9.3%
2006-2012	8,088	4.8%
Total	167,064	100.0%
Total Units Added 2001-2012	23,692	14.2%

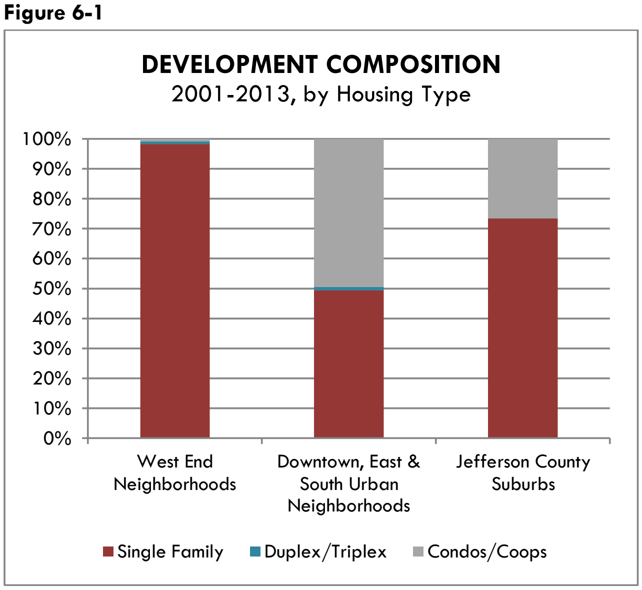
Source: PVA of Jefferson County, KY & RKG Associates, Inc., 2013

Leading up to 2006, the pace of development for both the West Louisville neighborhoods and Jefferson County suburbs was greater than the years during or after the 2008 recession. Decreased development activity during this time is consistent with the slowing of activity across the real estate industry on a national level.

In contrast, the pace of development in the Downtown, East & South Urban neighborhoods remained consistent, though at a small volume, between 2001 and 2012. The average development rate per year of single family homes did drop in this area; however, the consistency in development appears to be due to the completion of a large number of condominiums after 2005. An article in *Business First* from 2011 reiterated that in the mid-2000s there was a notable increase in condominium development in downtown but development activity slowed after 2009 as added inventory was not immediately sold[1]. As the development of single family homes decreased, the number of condominiums completed increased and helped to maintain the overall steady pace of development for the Downtown, East & South Urban neighborhoods during this period (Appendix Tables 4-1 to 4-3).

The development activity in Jefferson County over the last 11 years is divided across several types of residential housing. Single family units comprised a substantial amount of West Louisville and suburban development between 2001 and 2012. However, in the Downtown, East & South Urban neighborhoods, development was more diverse. Due to the large number of condominiums developed during this period, single family units only accounted for half (50.4%) of the 1,437 units developed (Figure 6-1, Appendix Tables 4-1 to 4-3).

Figure 6-1



Source: Jefferson County PVA & RKG Associates, Inc., 2013

1.2. Assessed Value

As discussed in Section 4, the assessed values of properties correlate strongly with their overall condition. Assessed value per square foot is overall lower for properties in the West Louisville neighborhoods than the Downtown, East & South Urban neighborhoods or the suburbs, regardless of when the home was built. Therefore, for units built after 2006, the average value per square foot was $66/SF in West Louisville neighborhoods, $34 less than the average value per square foot of a similarly-aged home in the suburbs ($100/SF) and $50 less than the average value per square foot for a newly-built home in the Downtown, East & South Urban neighborhoods ($116/SF) (Appendix Tables 4-1 to 4-3).

1.3. Development Trends

Overall, development patterns across Jefferson County suggest that the pace of development was affected by the 2008 recession and has slowed since 2006 in West Louisville and the suburbs. The quality and condition of the single family housing stock in these areas is inconsistent across Jefferson County as suggested by the variation in assessed value per square foot. The disparity in average assessed value between these two areas is important given the large amount of single family development, particularly in West Louisville.

The Downtown, East & South Urban neighborhoods are different. While not adding substantially to the housing stock in the area, the pace of development activity since 2001 has been steady due to a surge in condominium development after 2005. This finding is common for areas with condominium development, as projects cannot stop once underway due to common elements (i.e. roofing and climate control), unlike single-family detached and attached developments. When compared to West Louisville, the Downtown, East & South Urban neighborhoods have a higher average assessed value per square foot for the single family homes developed since 2001.

[1] Karman III, John R (2011). "Data Analysis Turns Up Unexpected Facts about Louisville Downtown Housing," *Business First*. Retrieved on 6/24/2013 from http://www.bizjournals.com/louisville/print-edition/2011/05/20/data-analysis-turns-up-unexpected.html.

2. Residential Sales Analysis

The latest sale of all residential housing units was used to analyze the recent sales patterns of the housing stock in Jefferson County. Of these sales, only those considered arm's length were included in the analysis. For this analysis, an arm's-length sale was determined to be one where the sales price was at least 50% of the assessed value of the property. To better understand the residential sales in Jefferson County, the county was divided into five areas as seen in Map 6-4: West Louisville Neighborhoods, Downtown, East & South Urban Neighborhoods, Suburban Submarket 3, Suburban Submarket 4 and Suburban Submarket 5.

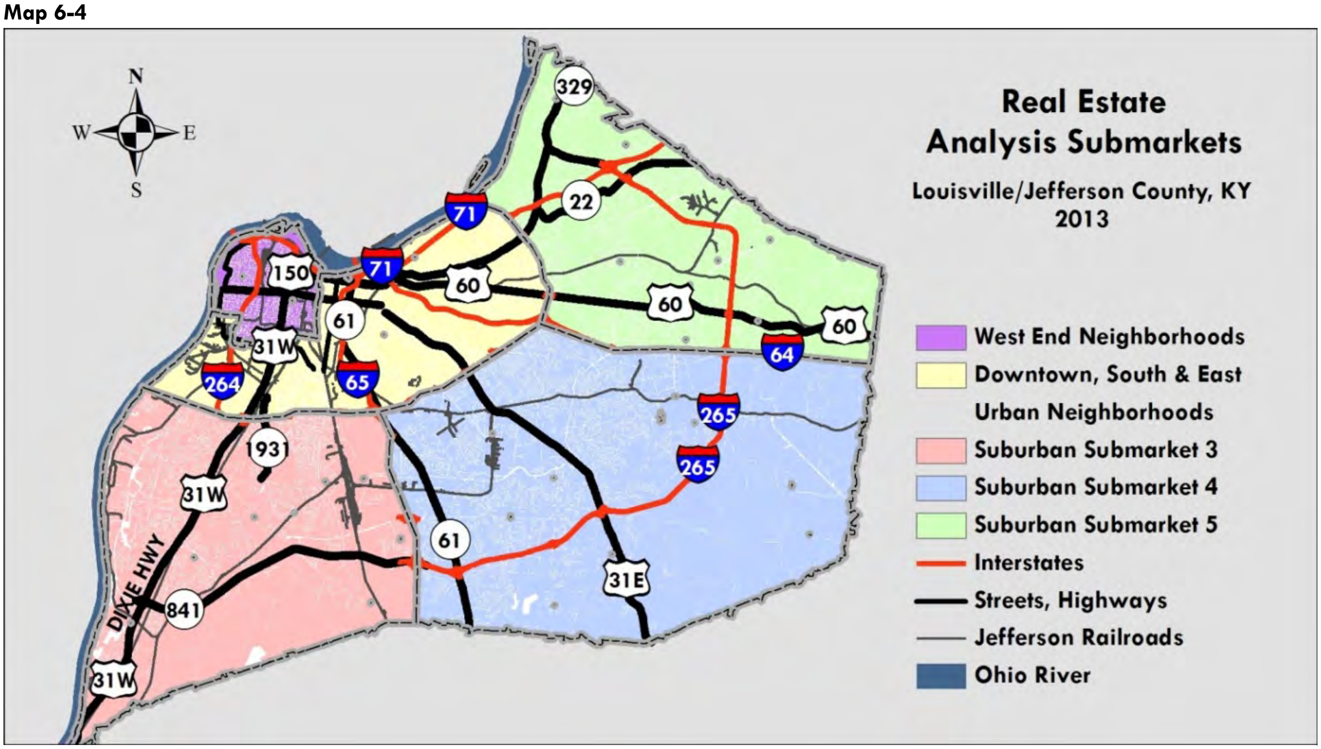
2.1. Residential Sales Activity

Since 2008, the volume of sales of duplexes/triplexes and multi-family units has been greatest in the Downtown, East & South Urban neighborhoods. Alternatively, the greatest number of condominium sales occurred in the suburbs, although the change in sales since 2009 was not as substantial as the change in sales of condominiums in the Downtown, East & South Urban neighborhoods. For single family homes, the largest amount of sales activity occurred in the suburban submarkets (Appendix Table 6-3).

Sales activity has overall increased since 2009 from levels during the 2008 recession. Sales of residential units of all types increased between 40% and 150% after the recession. The most rapid increases in sales occurred in residential units other than single family homes. Multi-family properties saw a notable increase in sales in the West Louisville neighborhoods and the suburbs after the recession. Sales of multi-family properties increased by 150% in West Louisville between 2010 and 2012 over 2008-2009 levels and 130% in the suburbs. This substantial increase in interest in multi-family units is consistent with the national increase in the strength of the multi-family market discussed later in this section (Appendix Table 6-3).

As mentioned earlier, the Downtown, East & South Urban neighborhoods had an increase in condominium sales activity of 61.5% (1,308 sales) since 2009. The increase in activity is parallel to the increase in

Map 6-4



Source: LOJIC & RKG Associates, Inc., 2013 condominium development in this area. However, some area developers view this as a modest change in sales based on interviews from an April 2013 article in *Business First*. The article suggested that developers have seen condominium sales stagnate since 2008 due to excess supply and higher price points from the boom in development of this type of unit earlier in the decade (Figure 6-2)[2].

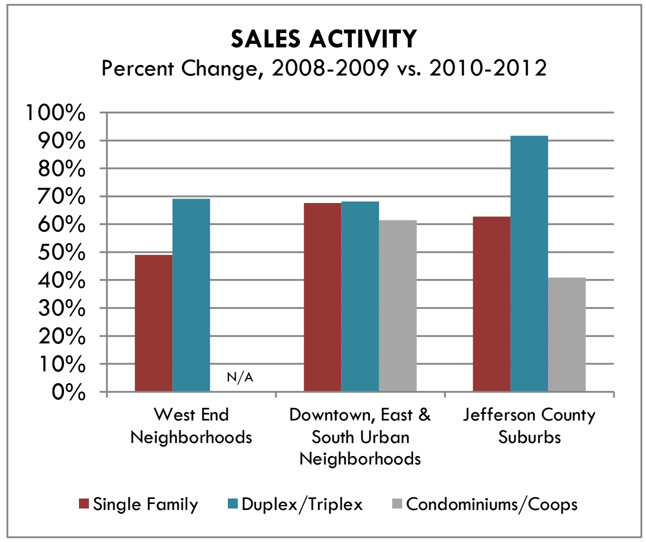
Elsewhere in the county, the suburbs experienced a 91.7% increase in sales to 69 sales of duplexes and triplexes after the recession. While a nominally small number, the large proportional increase suggests that even in the suburbs, which has a primarily single family housing stock, there was a notable increase in sales activity of housing units that generally cater to a rental market (Appendix Table 6-3).

Although single family homes in the three areas of Louisville-Jefferson County showed only a 50% to 68% increase in sales after the 2008 recession, sales of single family units made up the largest quantity of those sales. Single family home sales comprised 92.3% of the 2,480 sales in West Louisville, 79% of the 10,211 sales in the Downtown, East & South Urban neighborhoods, and 86.1% of the 26,710 sales in the suburban neighborhoods (Figure 6-3). The quantity of single family sales is consistent with the fact that these homes also make up the largest portion of the housing stock in the county (Appendix Tables 6-4 to 6-8).

Among single family homes, most sales were for homes of 1,250 SF or less. However, the Downtown, East & South Urban neighborhoods and the suburbs experienced substantial sale volumes for moderately sized homes between 1,250 SF and 2,000 SF at rates comparable to the smaller home activity (Appendix Table 6-3).

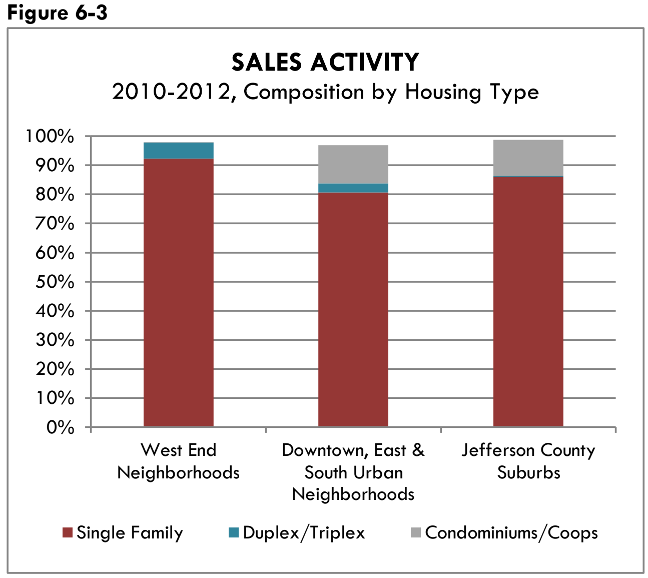
[2] Eigelbach, Kevin (2013). "Condo Owners Hope Brisker Home Sales Will Help Them, Too," Business First. Retrieved on 6/24/2013 from http://www.bizjournals.com/louisville/print-edition/2013/04/05/condo-owners-hope-brisker-home-sales.html

Figure 6-2



Source: Jefferson County PVA & RKG Associates, Inc., 2013

Figure 6-3



Source: Jefferson County PVA & RKG Associates, Inc., 2013

3. Residential Sales Price Analysis

Sales price per square foot of single family homes varied across Louisville-Jefferson County. The average sales price per square foot for homes in the West Louisville neighborhoods was substantially lower than the rest of the county at $38/SF during the recession and $37/SF after the recession. In comparison, the Downtown, East & South Urban neighborhoods and the Jefferson County suburbs averaged $90/SF and $127/SF, respectively, during the recession and $82/SF and $125/SF, respectively, after the recession. There was not a substantial change in in the sales price per square foot for homes in Jefferson County during or after the recession, though Suburban Submarket 3 did see an $8/SF decrease in price.

When compared to the assessed values of these single family homes, the proportion of sales price to assessed value for sales between 2008 and 2012 was greatest in the West Louisville neighborhoods. During the most recent recession (December 2007 – June 2009), the sales price was an average of 116% of assessed value and increased after the recession to 129% for properties in West Louisville neighborhoods. On the other hand, sales prices in the Downtown, East & South Urban neighborhoods and the suburbs were between 100% and 103% of assessed value during the recession with little change after the recession.

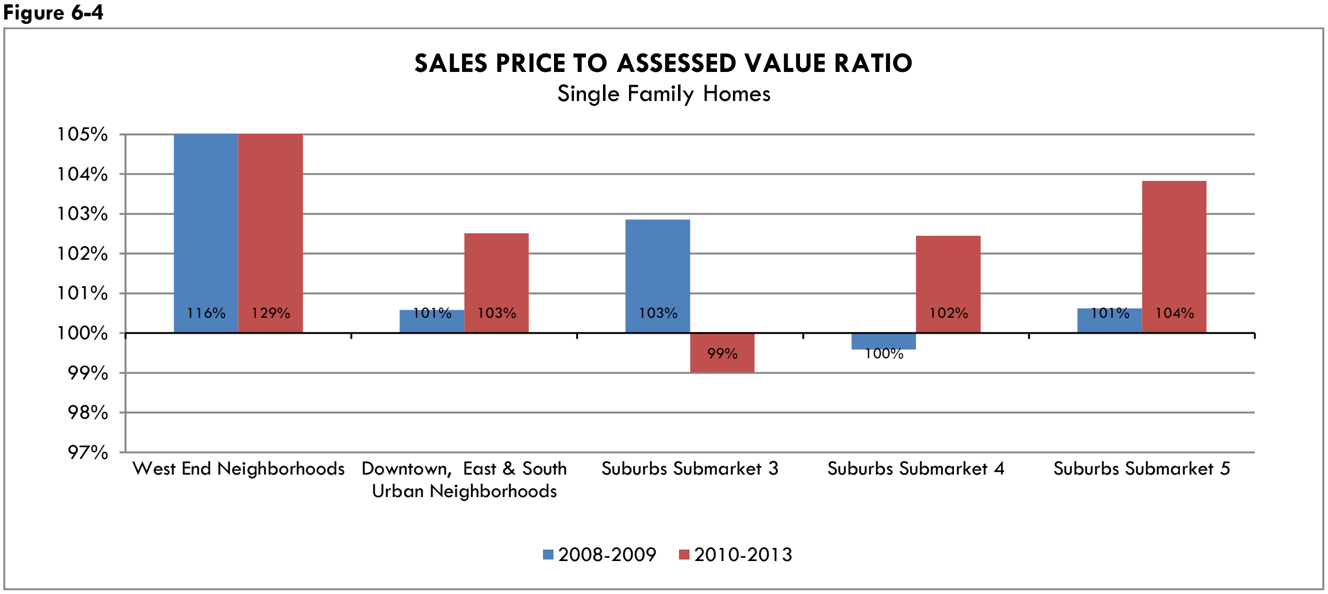
While sales prices in the West Louisville neighborhoods were 16% to 29% higher than assessed value, the higher prices may be a product of factors other than a strong housing market. It is possible that because the assessed values of the homes in the West Louisville neighborhoods are so low, paying more than the value of the home would only be a small increase in the nominal sales price (Figure 6-4). For example, a home valued at $30,000 might sell for $34,800, 16% above assessed value. However, this is only a $4,800 increase. Even during the recession, this amount would be considered minimal to some buyers and not a deterrent from purchasing the home, especially if real estate values were expected to rise in the future.

3.1. Investor Sales Activity

During the analysis of the latest sales in Jefferson County, the RKG Team observed that a number of parcels had multiple entries on the same date for the most recent sale. Further conversations with the Property Value Administrator suggested that these may be investor sales. In other words, a property is sold two or three times on a single day and often to an investor party.

Using this assumption, between 3% and 6% of all single family home sales in each study area were investor sales during the recession. However, an anticipated increase in investor sales after the recession due to lower prices for single family homes was not conclusive from the data. Analysis did

Figure 6-4



Source: Jefferson County PVA, KY & RKG Associates, Inc., 2013 suggest that the transfer of these homes to or between entities was usually at or just below the assessed value before and after the recession. The exception was for the Suburban Submarket 5 after the recession, where investors paid 12% above the assessed value of the home (Appendix Tables 6-9 to 6-13).

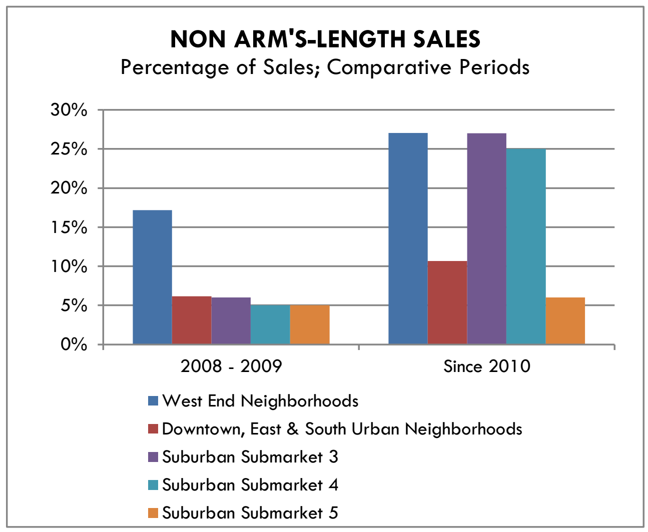
3.2. Non-Arm's Length Sales

Not all of the sales in Jefferson County are arm's length sales. There has been an increase in the proportion and quantity of non-arm's-length sales among single family homes since the recession. Arm's-length sales typically occur between two unconnected entities and do not reflect a sale under duress. On the other hand, non-arm's-length sales are those where the sale is conducted outside of the seller trying to maximize value and the buyer trying to minimize cost. To proxy these conditions, the RKG Team identified all sales where the selling price is below 50% of the assessed value. It is likely that these sales occur between family members or friends, are foreclosures, or have some other non-market based reason for the sale. Non-arm's-length sales as a metric for distress are particularly relevant to the vacant and abandoned property problem in Louisville.

The proportion of all single family home sales that are non-arm's-length increased notably in all areas in Jefferson County after the recession except in the Downtown, East & South Urban neighborhoods and Suburban Submarket 5. In the Downtown, East & South Urban neighborhoods, the proportion of non-arm's-length sales increased from 6% of 5,097 total sales during the recession to 11% of 8,972 total sales after the recession. Suburban Submarket 5 saw almost no proportional change, from 5% of 4,033 sales during the recession to 6% of 7,399 sales after the recession.

West Louisville had consistently higher levels of non-arm's length sales during or after the recession than any other part of Jefferson County. During the recession, 17% of 1,856 sales were non-arm's-length in West Louisville and that proportion increased to roughly 1 in 4 sales after the recession. Suburban Submarkets 3 and 4, which had a small proportion of non-arm's-length sales during the recession, matched West Louisville in the high proportion of non-arm's length sales after the recession. Suburban Submarket 3 increased in the number of non-arm's-length sales, from 6% of 4,284 sales during the recession to 27% of 6,969 sales after the recession. Non-arm's-length sales also increased in Suburban Submarket 4 - from 5% of 6,635 sales during the recession to 25% of 10,686 sales after the recession (Figure 6-5). The increase in non-arm's-length sales in all of these areas reflects an increase in foreclosures and the economic hardship of homeowners after the 2008 recession.

Figure 6-5



Source: Jefferson County PVA, KY & RKG Associates, Inc., 2013

3.3. Implications

Development in the West Louisville neighborhoods and Jefferson County suburbs has been affected by the recession and the pace of activity has slowed since 2006. However, development in the Downtown, East & South Urban neighborhoods has remained at roughly the same levels since 2001 due primarily to the influence of condominium development activity that began before the economic downturn.

Recent sales of all residential property types have seen at least a moderate increase in sales since the recession. However, the overall number of distressed sales as measured by non-arm's-length sales has also increased. With the highest proportion of non-arm's-length sales since 2009 and the lowest sales price per square foot before or after the recession, the West Louisville neighborhoods have the most notable real estate market challenges in Jefferson County.

4. Demolitions

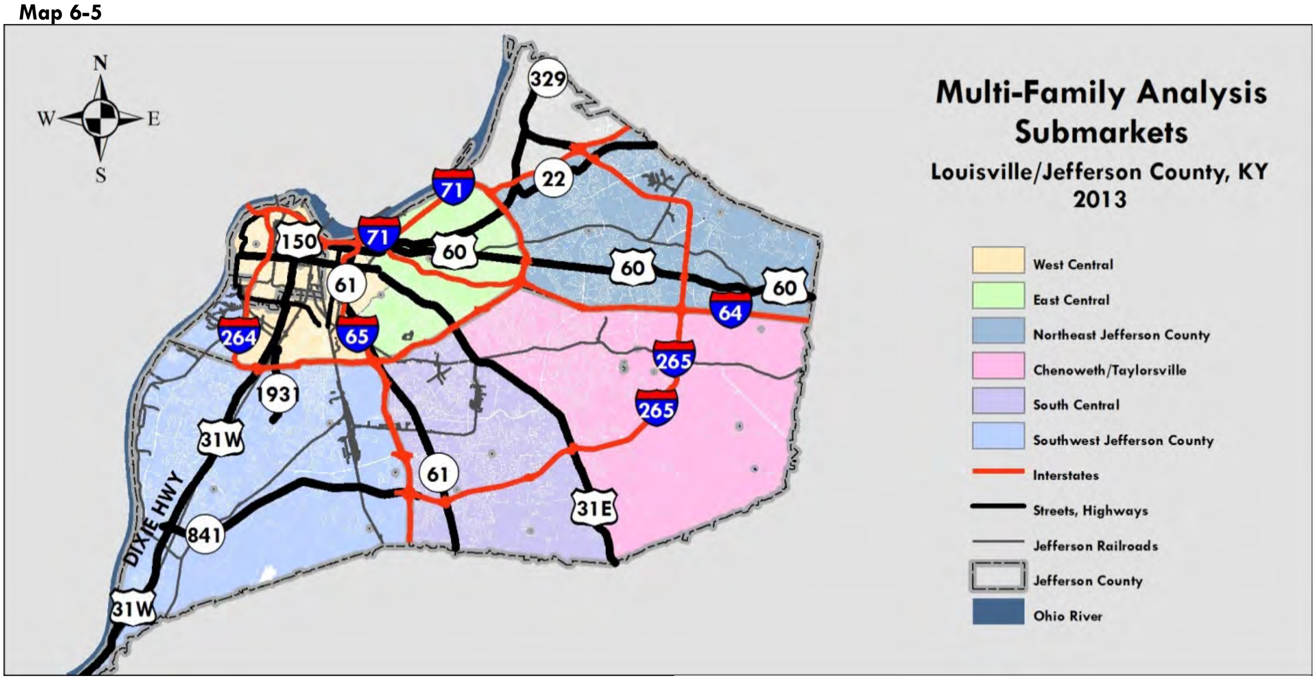
Demolition of abandoned structures is one tool that can help a local government provide a foundation for neighborhood revitalization. There have been 827 Metro-initiated demolitions since 2004. Given the age, structural composition and level of property abandonment, it is logical that the West Louisville neighborhoods have had the greatest number of candidates. Between 2004 and 2013, 71% of demolitions occurred in West Louisville (Appendix Table 6-15).

How demolition impacts the return on investment of Metro Government related to actions associated with neighborhood revitalization is discussed in Section 7. Additionally, what role demolition plays to address the vacant and abandoned property problem is addressed further in Section 2.

5. Multi-Family Rental Analysis

The primary source used to analyze the multi-family market in Jefferson County was the real estate reporting firm, REIS. REIS divides Jefferson County into six submarkets. In most cases, the RKG Team grouped these submarkets to best represent the three major areas of focus for this report. As seen in Map 6-5, the West Central submarket includes all of the West Louisville neighborhoods and most of downtown Louisville. The East Central submarket covers most of the remainder of the Downtown, East & South Urban neighborhoods. The Jefferson County suburbs are made up of the remaining four submarkets: Chenoweth/Taylorsville, South Central, Southwest Jefferson County and North East Jefferson County. All areas of Jefferson County are considered part of the Louisville Metro area submarkets by REIS except the Prospect, Kentucky area. Therefore, it is not included in this analysis.

Map 6-5



Source: REIS, LOJIC & RKG Associates, Inc., 2013

Recently, the Indianapolis-Cincinnati Multi-Housing Group of CBRE reported that rents and occupancy rates have increased over the last several years in the Louisville Metropolitan Statistical Area. This is generally consistent with vacancy rates and changes in average asking rents provided by REIS for Jefferson County, though there are some exceptions. The generally steady increase in asking rents and decrease in apartment vacancy reflects an overall stable and growing multi-family market in the Louisville Metro area[3].

5.1. Current Inventory

As of 2012, 81.8% of the 39,454 apartment units inventoried by REIS were located in one of the four submarkets within the Jefferson County suburbs. The remainder was divided almost equally between the West Central (8.6%) and the East Central submarkets (9.6%). These more urban areas of Jefferson County have a combined 7,179 apartment units (Appendix Table 6-16).

The current, positive outlook on growth of the multi-family market is consistent with the increase in multi-family inventory since 2000 in all but the East Central submarket of Jefferson County. Between 2000 and 2012, the inventory of apartments increased by 3,330 units in the Jefferson County suburbs and 333 units in the West Central submarket. However, in the East Central submarket, there was a loss of 177 units during the same period of time, potentially due to the conversion of units from rental to ownership. This decrease in units in the East Central submarket began in 2005 and coincides with an increase in condominium development in downtown Louisville and a preference for more urban-style rental units. Both of these inventory influences might be reflected in West Central instead, given the boundaries of the submarket (Appendix Table 6-16).

5.2. Vacancy and Occupancy

The overall low rates of vacancy in Jefferson County are an asset to the area and have encouraged recent growth and investment in the multi-family sector. In 2012, the vacancy rate, or amount of available rental inventory at the end of the year as defined by REIS, was lowest in the Jefferson County suburbs, at 3.8%. Rates for the same area in 2000 were 5.4%, representing an overall decrease in vacancy between 2000 and 2012. On the other hand, levels of vacancy in the East Central submarket were similar between 2000 (6.3%) and 2012 (6.4%). The most noteworthy change in vacancy rates is in the West Central submarket. In 2000, the vacancy rate was 5.2%. In 2012, it increased to 10.6% (Appendix Table 6-16). The increase in vacancy rates in the West Central submarket is not consistent with overall lower rates of vacancy in Jefferson County (Appendix Table 6-16).

When compared to the national rate of 5% apartment vacancy at the end of in 2012, the Jefferson County suburban rates were 1.2% below the national average, while those in the East Central submarket was 1.4% above the national rate and the West Central submarket was 5.6% higher than the national rate (Figure 6-6).[4]

5.3. Asking Rents

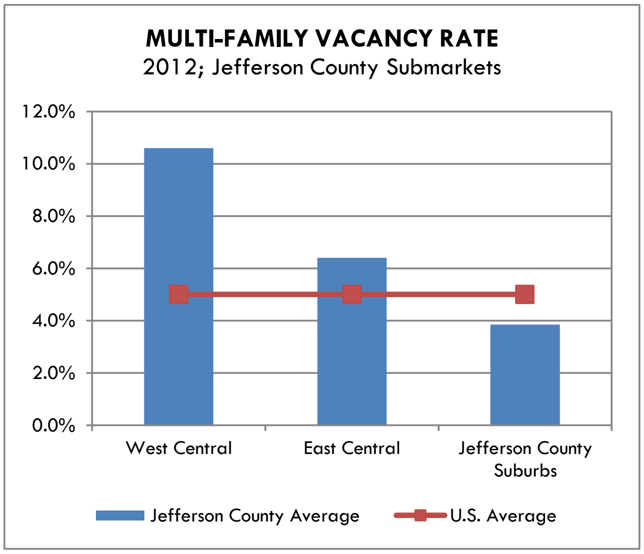
In general, the average asking rents in Jefferson County have increased between 2000 and 2012. To more accurately assess average asking rent, the REIS submarkets were analyzed individually. The highest asking rents in 2012 were in the suburban Northeast Jefferson County submarket. On average, one bedroom asking rents were $702 per month, two bedroom asking rents were $871 per month and three bedroom asking rents were $1,151 per month. The urban submarkets had the highest one bedroom asking rents after the Northeast Jefferson County submarket at $646 per month for West Central and $669 per month for East Central. The lowest asking rents in 2012 were in Southwest Jefferson County, where a one bedroom unit rented for $517, a two bedroom

[3] CBRE Group, Inc. (2012). *The Louisville Market Pulse*. Cincinnati, Ohio. Retrieved June 18, 2013, from http://www.cbre.us/o/cincinnati/AssetLibrary/First%20Half%202013_Louisville_Newsletter.pdf

[4] CBRE Group, Inc. (2013). "U.S. Commercial Real Estate Continues Recovery in Fourth Quarter of 2012, According to CBRE Group, Inc." Retrieved June 18, 2013 from http://www.cbre.com/EN/aboutus/MediaCentre/2013/Pages/4Q2012-Commerical-Real-Estate-Recovery.aspx

unit for $576 and a three bedroom unit for $774 (Table 6-3).

Figure 6-6



Source: Jefferson County PVA & RKG Associates, Inc., 2013

Table 6-3

Comparative Rent Analysis
Jefferson County Submarkets, 2012

Asking Rent	One-Bedroom	Two-Bedroom	Three-Bedroom
West Central	$646	$663	$944
East Central	$669	$794	$866
Jefferson County Suburbs			
South Central	$525	$626	$786
Chenoweth Taylorsville	$632	$742	$871
NE Jefferson County	$702	$871	$1,151
SW Jefferson County	$517	$576	$774

Source: REIS, Inc. and RKG Associates, Inc., 2013

5.4. Implications

The generally low vacancy rates and increasing rents in recent years in Jefferson County are creating a multi-family market that is gaining interest from investors at the regional and national level[5]. A strong apartment market also reflects an increase in demand. Local developers have noticed that a number of renters interested in their units are young professionals in their 20s and 30s, many of whom either work downtown or in the healthcare industry[6]. Another increasing source of prospective renters is from households that might prefer homeownership, but choose to rent because of their inability to qualify for a mortgage or concern about the stability of investing in real estate in the current market[7].

Balancing the demand of a mix of socioeconomic groups is a reality of the existing market. Both young professionals and households seeking affordable living situations are looking for multi-family units. If rents continue to increase and stabilize at levels above an amount that is affordable, creating opportunities for renters of a diverse range of socioeconomic standing may grow in importance.

[5] Eigelbach, Kevin. (February 11, 2013) "Regional Banks Seek Entry Into Louisville Apartment Market," *Business First*. Retrieved March 22, 2013 from http://www.bizjournals.com/louisville/news/2013/02/11/regional-banks-seek-entry-into.html

[6] Eigelbach, Kevin. (January, 22, 2013) "RiverPark Place Apartments Nearly Finished and Leased," *Business First*. Retrieved on March 22, 2013 from http://www.bizjournals.com/louisville/news/2013/01/22/riverpark-place-apartments-nearly.html?page=2

[7] Eigelbach, Kevin. (October 30, 2012) "CBRE Report Shows Spike in Louisville Apartment Rents," *Business First*. Retrieved on March 22, 2013 from http://www.bizjournals.com/louisville/news/2012/10/30/cbre-report-shows-spike-in-louisville.html?page=all

C. PUBLIC INVESTMENT STRATEGY AND TARGETING AREAS FOR REVITALIZATION

1. Introduction

The marketability analysis helps to define areas where targeted policy and legislative action can take place to improve housing conditions in Jefferson County. It can be used in combination with other analyses to identify areas where vacancy and abandonment limit the potential of neighborhoods in Louisville. Focusing on the West Louisville neighborhoods as an example, there are two primary approaches to reinvestment when applying the marketability analysis.

First, policy and programmatic initiatives can focus on transitional areas, or those areas that are threatened to become less stable. These are areas where the marketability is neutral (0), slightly negative or slightly positive. These neighborhoods are positioned to become stronger residential areas with the right targeted investments or could slide further into decline without action. Examples of West Louisville areas that appear to be in transition include the eastern parts of Shawnee, Chickasaw, Russell, the northern part of Hallmark and the northern sections of Park DuValle.

A second approach to reinvestment addresses the areas with the greatest concentration of negative marketability scores. These areas are generally seen as undesirable by investors, developers and homebuyers. They represent an opportunity to create the greatest change to a "high need" area. Neighborhoods like Portland, Parkland, Park Hill and California are examples where blight conditions, crime and other factors have created many investment obstacles and will make revitalization more costly and higher risk.

Similar approaches to the ones above could also be applied to the Downtown, East & South Urban neighborhoods and Jefferson County as a whole. Understanding which areas are most marketable to investors and future homebuyers is an important element to determining where to target reinvestment efforts. The strongest strategy for addressing these issues involves a combination of analyses and a broad understanding of the existing environment.

2. Targeting Areas of Marketability

Using the marketability analysis results, the RKG team evaluated residential parcels throughout Jefferson County to identify potential Priority Project Areas (PPA). PPAs are those areas best suited to support future revitalization investments. The RKG Team strongly recommends that Metro Government focus its comprehensive revitalization efforts in areas characterized as transitional in their condition and marketability. This does not mean that public investments should not be made in "high need" neighborhoods, but rather PPAs should be designated based on their readiness for investment. In other words, the public investment should result in tangible improvements that spin-off other improvements and attract private and nonprofit investment. Transitional neighborhood areas typically possess characteristics that are more conducive to revitalization and are attractive to urban developers.

The results of the marketability analysis demonstrated that there are a large number of transition parcels, or those with a marketability score between -29.9 to 29.9 in the Louisville Metro area, especially in the western part of Jefferson County. The analysis described below is a first step to narrowing down which transitional neighborhood areas are worthy of consideration as future PPAs.

This initial evaluation is the application of a statistical analysis that is based upon a number of factors believed to affect the investment decisions of developers/investors, homebuyers and renters. The 14 areas identified through this analysis are a starting point for narrowing and focusing on what additional elements (i.e., funding, policy and legislation, etc.) should be taken into account in order to identify the PPAs.

In addition to the quantitative analysis conducted by the RKG Team, the Department of Community Services and Revitalization (CSR) has identified seven areas as potential locations for consideration, based on existing/recent revitalization activity. These seven areas are listed at the end of this section.

3. Methodology

3.1 Analysis Elements

Positive Transitional Areas

In order to identify which areas were most applicable to potential PPAs, positive and negative zones were established using factors included in the Marketability analysis. To identify positive zones, an area of influence, or buffer, was created using GIS around a variety of points of interest. School parcels, parks, retail and commercial locations were all assigned varying distances within which they might be considered an asset to surrounding parcels. Each of these criteria was chosen based on what a potential home buyer or renter would find most desirable. The areas where all of these positive factors overlapped became the positive zone and are represented in Map 6-6 in orange.

Negative Transitional Areas

Not all housing units are located in the most desirable areas to a potential homebuyer or renter. To represent the negative factors that can discourage these parties from investing, an area of influence was placed around major highways and interstates. Highways were chosen because they are commonly recognized as a less desirable factor. This negative zone is represented in Map 6-6 in blue.

Transition Marketability Scores

As discussed in the marketability analysis, the lighter red, green and yellow parcels are those parcels with a combined score that is minimally negative, minimally positive, or neutral. Scores for these parcels range from -29.9 to 29.9. These are considered transition parcels. A modest level of investment can help to increase the positive attributes of these parcels while prolonged disinvestment might tip the balance of the scores into the negative. These parcels are the focus of identifying potential PPAs. To increase their visibility on the map for this analysis, the colors of these parcels was darkened. Therefore, parcels with a score of -0.5 to -29.9 are bright red, parcels scoring 0 are yellow and parcels that scored 0.5 to 29.9 are bright green, as seen in Map 6-6.

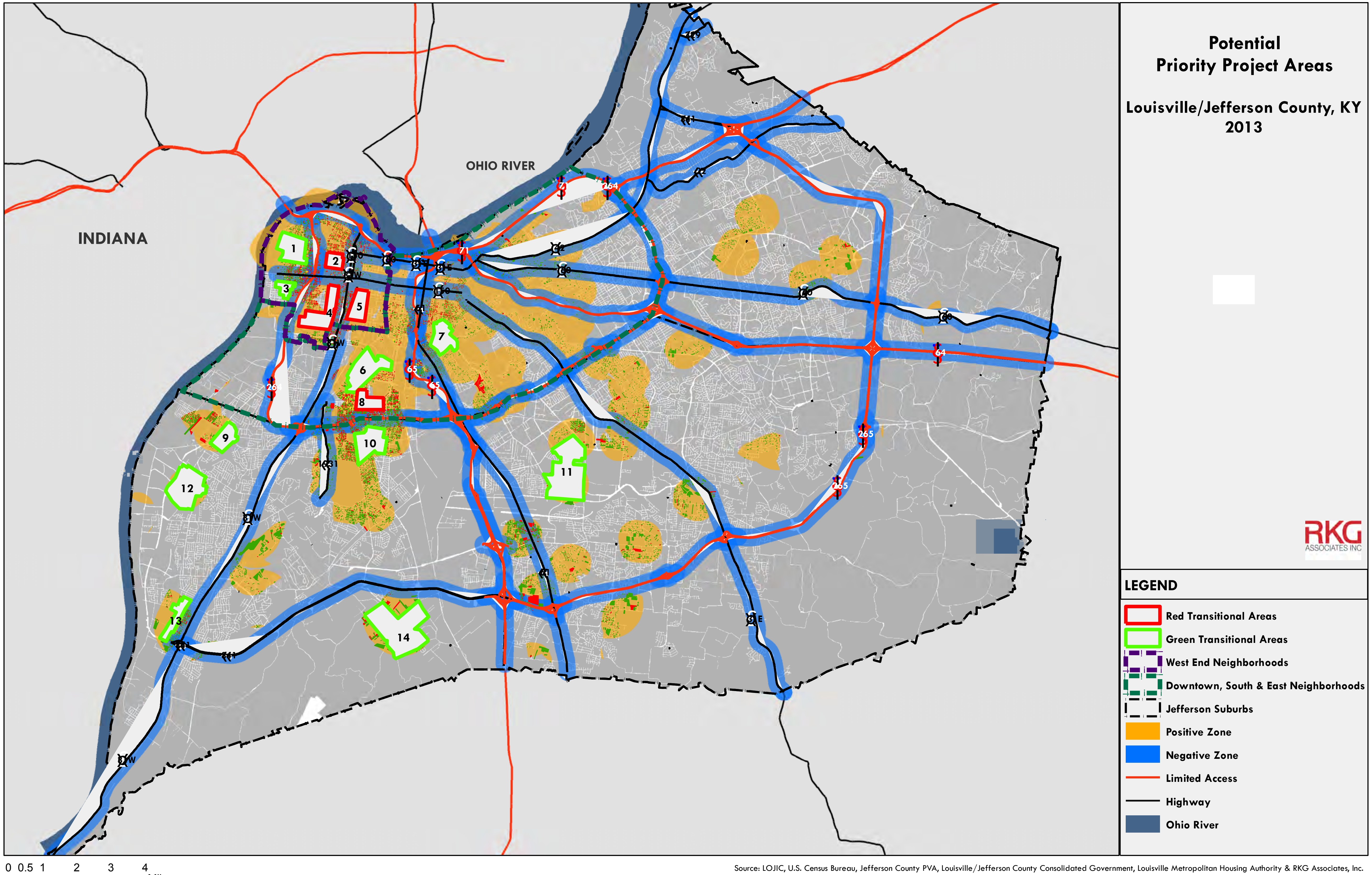
3.2 Process

After establishing the positive zone, negative zone and points of interest, the consultants began to identify potential PPAs. First, parcels that fall into the positive zone, but outside the negative zone, were given priority and became the focus of the analysis. Then, areas with concentrations of green or yellow parcels (positive) and red parcels (negative) were identified. Next, a comparison of these concentrations and their proximity to points of interest was made. Areas with high concentrations of green and yellow parcels that were also close to a school or park, and possibly a library or retail location, became Green Transition Areas. Concentrations of red parcels that were also close to a school or park, and often a library or retail location, were determined to be Red Transitional Areas.

After determining the Green and Red Transition Areas, each area was evaluated based on its proximity to public transportation. Proximity was based on a quarter mile radius around each stop, which represents a generally accepted distance an individual is willing to walk to use public transportation, especially a bus.

Finally, City Actionable Parcels and Vacant Lots were identified in each potential PPA. This provided the consultants with a perspective on what level of action was possible by Metro Government based on its current presence or potential future presence in these areas. The concentration of these parcels is further discussed in the Implications section.

Map 6-6



Source: LOJIC, U.S. Census Bureau, Jefferson County PVA, Louisville/Jefferson County Consolidated Government, Louisville Metropolitan Housing Authority & RKG Associates, Inc.

3.3 Data Sources

This analysis used a variety of data sources. Most data came from data produced for LOJIC, including library locations, school parcels and park parcels. The sources used as the basis for the marketability scores are outlined in the marketability analysis portion of Section 6. Retail and commercial locations were assembled the U.S. Census Bureau and spatial references provided by Esri. Bus stops and bus line information came from TARC.

4. Potential Revitalization Areas

A detailed map of each of the Potential Priority Project Areas can be found in the Appendix as Maps 6-1 to 6-14.

4.1 Positive (Green) Transition Areas

Two types of potential PPAs were established for this analysis. Green Transition Areas are those that had concentrations of green and yellow parcels representing slightly positive and neutral marketability scores.

Area 1

Area 1 is located in the Shawnee neighborhood in the West Louisville study area. Its borders are Duncan Street to the north, Southwestern Parkway to the west, River Park Drive to the south and S. 36th and S. 38th Street to the east.

Area 3

Area 3 is located in the Chickasaw neighborhood in the West Louisville study area. Garland Avenue creates the northern border and Virginia Avenue, the southern border. The eastern edge of the study area staggers from S. 39th Street to S. 41st Street. On the west, the border starts at S. 45th Street and ends at S. 42nd Street.

Area 6

Making up much of the Taylor Berry neighborhood and a small part of South Louisville, Area 6 is part of the Downtown, East & South Urban neighborhood study area. Its borders are generally Algonquin Parkway and Industry Road to the northeast, 7th Street Road to the northwest, Taylor Boulevard to the east, Southgate Avenue to the south and Lawrence Drive and Faywood Way to the southwest.

Area 7

Area 7 is primarily located in the neighborhood of Schnitzelburg with a small amount also in the Germantown neighborhood. This area is in the Downtown, East & South Urban Neighborhoods study area. The borders for Area 7 are Ellison Avenue, Charles Street and Goss Avenue to the north, Eastern Parkway and Poplar Level Road to the east, Delor Avenue to the south and S. Shelby Street to the west.

Area 9

Area 9 is located in the Jefferson County Suburbs study area to the southwest of I-264 and to the west of U.S. Route 31 West. Cane Run Road creates the western border and Lencott Drive makes the southern-most border. The eastern edge of Area 7 comes out as far as Dover Road and circles north to connect back to Cane Run Road where it meets Teakwood Circle.

Area 10

Located in the Beechmont neighborhood, Area 10 is in the Jefferson County Suburbs study area. It is bordered primarily by Washland Avenue to the north, S. 3rd Street to the east, Southern Parkway to the south and Taylor Boulevard to the west.

Area 11

Area 11 is located in the Jefferson County Suburbs, to the northeast of Kentucky Route 61 and just south of U.S. Route 31 East. This area is bordered primarily by Petersburg Road to the northeast, Shepherdsville Road to the east, Fern Valley Road to the south, Hanses Drive and Lagoona Drive to the west and E. Indian Terrace to the northwest.

Area 12

Area 12 is in the Jefferson County Suburbs to the west of U.S. Route 31 West and just south of Area 9. The streets that primarily create the border of this area are Greenbelt Highway to the west, Wood Road to the south, Terry Road, Grandmeadow Lane and Triplett Drive to the east and Lower Hunters Terrace to the north.

Area 13

Located in the southwestern-most corner of the Jefferson County Suburbs, Area 13 is to the west of U.S. Route 31 West and north of Kentucky Route 841. Area 13 is bordered by Alanadale Drive to the north, Casa Landa Drive, Blaze Way and Oliverda Drive to the east, Greenbelt Highway to the south and Hedgeapple Way, Janna Drive and Plaudit Way to the west.

Area 14

Area 14 is in the southern-most part of the Jefferson County Suburbs. It is just south of KY Route 841 and west of I-65. The streets that create the border for Area 14 are W. Manslick Road and Fairdale Road to the northwest and northeast, National Turnpike and Mount Holly Road to the east, Allen Drive and Keys Ferry Road to the southeast and southwest and a continuation of Jefferson Hill Road to the northeast to meet W. Manslick Road to form the northwestern boundary.

4.2 Negative (Red) Transition Areas

Similar to Green Transition Areas, the potential PPAs in the Red Transition Areas were selected based on the relatively higher concentration of parcels with slightly negative marketability scores. Also like the Green Transition Areas, these potential PPAs were also within the Positive Zone.

Area 2

Area 2 is located in the Russell neighborhood in the West Louisville study area. It is bordered by W. Market Street to the north, S. 24th Street and S. 25th Street to the east, W. Chestnut Street to the south and S. 30th Street to the west.

Area 4

Located in primarily in the Parkland and Park DuValle neighborhoods, Area 4 is in the West Louisville study area. This is a large area, with Howard Street making the northern-most border, S. 26th Street and S. 25th Street make up the eastern edge, Dr. William G. Weathers Drive makes up the southern border and S. 36th Street, Louis Coleman Jr. Drive, Woodland Avenue and S. 28th Street making up the curving western edge.

Area 5

Area 5 is divided between the neighborhoods of Park Hill and California in the West Louisville study area. W. Breckinridge Street is the northern edge, S. 15th Street is the eastern border, Dixie Highway is the western edge and the southern edge is just south of what would be a continuation of St. Louis Avenue.

Area 8

Area 8 is located primarily in the Wyandotte neighborhood, with a small section in the South Louisville neighborhood. It is within the Downtown, East & South Urban Neighborhood study area. Taylor Boulevard creates its western border and Queen Avenue, Wizard Avenue and Longfield Avenue its staggered northern border. S. 5th Street is the eastern edge of Area 8 and W. Whitney Avenue is the southern border.

4.3 Transition Areas and Public Transportation

In general, the potential PPAs in the more urban environments in Jefferson County had the closest proximity to public transportation. Nearly all of the parcels in the five areas in West Louisville (Areas 1-5), were within a quarter mile of a bus stop. Additionally, Areas 6, 7 and 9 have the greatest number of parcels in close proximity to the TARC bus stops. Public transportation is partially available to parcels in Areas 8, 10, 11 and 12. Conversely, none of the parcels are within a quarter mile of a bus stop in Areas 13 or 14, the potential PPAs furthest from the city center.

5. Implications

When considering revitalization strategies, the Green and Red Transition Areas outlined in this section provide two approaches to identifying potential PPAs. In both cases, the transitional nature of the slightly negative or positive marketability scores suggest that smaller investments have the potential to more readily impact these areas than those with much larger negative marketability scores. Potential PPAs in the Green Transition Areas may need a helping hand to maintain what is currently positive and bolster aspects of the properties or community that may be beginning to deteriorate. Conversely, potential PPAs in the Red

Table 6-4

City Actionable Parcels & Vacant Lots
Revitalization Areas, 2013

	City Actionable		Vacant Lots		City Actionable & Vacant	
	Parcels	% of Total	Parcels	% of Total	Parcels	% of Total
Area 1	40	2.0%	120	5.9%	160	7.9%
Area 2	64	8.0%	145	18.2%	209	26.2%
Area 3	13	2.5%	33	6.3%	46	8.8%
Area 4	98	4.8%	147	7.2%	245	11.9%
Area 5	293	21.1%	214	15.4%	507	36.6%
Area 6	15	0.6%	142	5.4%	157	6.0%
Area 7	7	0.4%	92	4.7%	99	5.0%
Area 8	5	0.3%	98	6.7%	103	7.1%
Area 9	0	0.0%	73	11.4%	73	11.4%
Area 10	6	0.4%	94	6.2%	100	6.5%
Area 11	18	0.7%	58	2.3%	76	3.0%
Area 12	14	1.2%	205	17.4%	219	18.6%
Area 13	0	0.0%	4	0.8%	4	0.8%
Area 14	3	0.3%	132	12.2%	135	12.4%

Source: Jefferson County PVA, LOJIC, Louisville Metro Government, RKG Associates, 2013

Transition Areas are beginning to slip slightly into deterioration and might benefit from efforts that not only accentuate the positive, but also improve conditions that are contributing to the negative marketability scores.

Another element to consider when reviewing the 14 potential PPAs identified in this analysis is which locations Metro Government has the capacity to have a more immediate impact. One way of evaluating this potential is through the location of city actionable parcels and vacant lots. City actionable parcels are those that are owned by the city and are ready for sale, parcels that are owned by the Landbank Authority and parcels identified as abandoned properties. Vacant lots are those parcels that are classified as residential vacant lots by the Jefferson County Property Valuation Administrator, parcels that have no building assessed value, or parcels that have a building that is 400 square feet or less.

As seen in Table 6-4, Area 5 has both the largest number of city actionable parcels and vacant lots. It also has the highest concentration of these parcels. City actionable land makes up 21% of the total parcels in Area 5 and vacant lots make up 15%. Areas 2 and 12 have the next highest portion of city actionable parcels and vacant lots at 26% and 19%, respectively. Many of the other transition areas have between 3% and 12% of area parcels that have the potential for immediate impact through Metro Government initiative. Only in Area 13, where less than 1% of parcels fall in either category, does this potential not apply.

This analysis illustrates that the foundation for revitalization exists in all of these potential priority project areas. It serves to frame the discussion of where to begin identifying locations for revitalization based on the strategies outlined in this report.

Potential Priority Project Area Locations for Consideration (Existing Project Activities)

The following seven neighborhood areas have been identified by the Department of Community Services & Revitalization (CSR) as potential locations for future PPAs. These areas have been identified in the past as potential revitalization target areas, but further review together with the results of the marketability analysis should determine if these areas are "ripe" for revitalization.

1. Shawnee – CSR partnered with the Department of Economic Growth & Innovation's (EG&I) Long Range Planning division to create a neighborhood plan for Shawnee. While the neighborhood plan was being finalized, CSR leveraged stakeholder discussions to create the five-year neighborhood Revitalization Strategic Action (NRSA) plan. The major focus will be on economic development and owner-occupied housing rehabilitation. EG&I is also implementing the West Market Street Corridor improvement plan with major infrastructure improvements set to begin.

2. Portland – Currently in the second year of a $2 million NRSA plan that includes owner-occupied rehabilitation and economic development loans. CSR is partnering with New Directions Housing Corporation to focus on exterior code alleviation, with Habitat for Humanity conducting an outreach campaign to stimulate interest in the program. EG&I continues to develop the "Life Zone" concept in Portland by providing loans to food-processing related businesses utilizing locally produced food items. Habitat for Humanity operates its administrative headquarters, staging center and restoration operation in the Portland area. The adaptive reuse of a vacant, underutilized bread bakery received over $1 million in funds from NSP, CDBG and the General Fund as well as a historic preservation award. Habitat is currently leveraging its neighborhood presence and collaborating with a private investor seeking to raise over $20 million in private funds for live-work housing, food related business and retail development.

3. Russell – This historic neighborhood was the focus of Louisville's most recent Urban Renewal Plan. Outcomes from that effort include adaptive reuse of a historic trolley barn to house the African-American Heritage Center and creation of the Cedar Street Development. The Cedar Street development is a market-rate housing opportunity where vacant parcels are sold for $1 in exchange for the Louisville Historical Landmarks Commission retaining final design approval for the house. The "Louisville Historic Rising" is a proposed 44-unit Low Income Housing and Historic Tax Credit (LIHTC) proposal that would rehabilitate 14 historic structures in Russell and Shawnee. One significant property Includes the Ouerbacker Mansion which was the subject of tax foreclosure and housed in the Landbank for several years. The adaptive reuse of this building will save one the region's most endangered historic properties.

4. Richmont Terrace – A subdivision in the Cane Run Road area in the unincorporated area of southwest Louisville. NSP-1 funds were used to acquire an entire block of vacant, blighted multifamily buildings which were demolished and replaced with 9 of 38 proposed single-family parcels. The units are currently available for homeownership or lease-purchase. The remaining undeveloped parcels will be returned to Metro as it tries to incentivize other developers to assist in building out the site. CSR is working to acquire as many blighted properties as possible to further raze and redevelop. CSR is also supporting existing multifamily property owners with rehabilitation assistance. Prospective plans call for a neighborhood market analysis and redesigned streetscaping to be completed with reoccurring neighborhood consultations. This subdivision is in close proximity to an undeveloped 15 acre green space owned by Louisville Metro which could also be used for housing or public facilities.

5. Smoketown – Construction of the Sheppard Square housing project is serving as a catalyst for private investment with replacement housing being produced on-site and off-site. The Louisville Metro Housing Authority is working with the local school system to enhance access to playing fields and green space. The new housing units will be mixed use at multiple price points and support the health related industries located just blocks away in the Central Business District. YouthBuild Louisville was able to establish its headquarters with NSP-1 assistance. A vacant, underutilized commercial building was converted into a “green campus” featuring drainage mitigation projects supported by the Metropolitan Sewer District. Several lines of business on the site feature include a live chicken coop, raised gardens, composting and rain barrels.

6. Shelby Park – New Directions Housing Corporation has worked in collaboration with neighborhood residents to establish and implement a Quality of Life Action Plan for both Smoketown and Shelby Park (adjacent census tracts 62 & 65). Using NSP-1 funds, New Directions was able to acquire, demolish and redevelop six parcels in a single block. They plan to continue this block-by-block approach by leveraging NSP proceeds to complete similar redevelopment within the neighborhood. CSR recently supported two anchor multifamily projects, Jackson Woods and Saint Vincent DePaul Homes. The latter included the new construction of LIHTC units to provide comprehensive housing services for homeless families and persons in recovery. Right across the street, CSR was able to reinvest in Jackson Woods to preserve the availability of affordable rental units.

7. Oakdale – This neighborhood is in close proximity to the world famous Churchill Downs historic landmark and economic engine. The neighborhood includes the 4th Street corridor which is currently the subject of a planning fellowship awarded to Mayor Fischer as part of the 2012-2013 Daniel Rose Fellowship at the Urban Land Institute. The corridor connects the airport, race track and the University of Louisville. EG&I is working to redesign traffic flows to create better access to and from railways and expressways for commercial traffic. This highly visible area is mixed commercial and residential with great market potential.

A. PUBLIC RETURN ON INVESTMENT MODEL

1. Introduction

Real estate developers and other investors often use return on investment (ROI) models to assess the risks and return associated with a given project and its value as an investment. This analysis tool is used to judge one investment against a variety of competing investment alternatives. The use of a ROI analysis in the evaluation of public sector investments is less common, primarily due to the fact that many benefits derived from public sector investments cannot be monetized easily and thus cannot be factored into a rate of return model. However, it is a useful and innovative technique for judging the effectiveness of Metro Government's efforts to combat vacant and abandoned properties.

In the urban revitalization arena, there are many intangible benefits accrued to the target area or to community that are not easily measured. For example, successful revitalization efforts often improve the appearance and function of neighborhoods, resulting in reduced crime; which in turn improves the climate for private investment. As conditions improve, neighborhood residents often get more involved in their community and start to engage with each other and begin fixing up their properties, which further strengthens the community. While all these things are known to happen in revitalizing communities, it is not possible to quantify all of them in financial terms or predict their "cause and effect" relationship.

For this study, the consultants developed a public "return on investment" model to establish a relationship between the public expenditures associated with neighborhood revitalization actions and the measurable financial returns in the form of tax revenues received by Metro Government. The results of the model, and the implications related to the level of intervention, are the focus of this section.

2. Methodology and Approach

2.1. Purpose and Need

The primary purpose of the return on investment model is to illustrate the connections between public sector investments made in neighborhood revitalization by Metro Government and quantifiable financial returns from those investments. The model also provides a framework for evaluating which investments will have the greatest return. The model is a starting point for a broader discussion about other returns that are less quantifiable, but equally important in neighborhood revitalization.

2.2. Modeling Approach

To illustrate the connection between public sector investment and possible returns, the model focused on a range of measurable actions of Metro Government and the costs associated with those actions. It also focused on how certain expenditures, or investments, can lead to returns through revenue generation. This connection is a fundamental element of the return on investment model.

There are three main components of the VAP ROI model: (1) development inputs, (2) annual revenue and expenditure assumptions, and (3) ROI analysis output. Development inputs drive the model results and include critical assumptions about the level of new development activity projected over the next 20-year period (e.g., new housing construction & rehabilitation, building demolitions, code enforcement inspections, judicial foreclosures, etc.). The annual revenue and expenditure assumptions include current and future expenditures, tax rates, cost of construction and similar data assumptions. Finally, the ROI analysis outputs include a comparative analysis between a "Baseline Maintenance Scenario" and a more aggressive "Intervention Scenario." The baseline scenario assumes that Metro Government continues to approach the VAP revitalization problem in the future in much the same way as it does today. Accordingly, the number of foreclosures, demolitions, new code enforcement inspections and similar activities continue at roughly the same level over time. In the more aggressive intervention scenario, the types and magnitude of investments, or intervention, are greater and the results achieved are more closely linked to a quantifiable return on investment.

These projected returns include tax revenues generated by the development of residential, commercial and industrial properties through the expansion of the tax base. Many of the outputs have compounding returns as properties developed and sold generate value and appreciate over time. Outputs also include total expenditures related to Metro Government actions.

The ROI model results are most meaningful when expenditures and revenues are analyzed over a 20-year projection period. Unlike a real estate investment where a development will be sold after a predetermined holding period, a revitalized neighborhood cannot be sold to recapture the original investment. Whatever "returns" there are will accrue over a number of years. Given that the revitalization effort may require up-front costs that do not directly generate new revitalization activity (a.k.a. returns) for several years, the model looks at aggregate expenditures and revenues after 20 years when analyzing return on investment.

2.3. Data Resources

A number of data resources were used to establish the primary assumptions that were used for the model. Revenue assumptions related to tax rates and tax code were established using Jefferson County Property Valuation Administrator (PVA) data, conversations with PVA staff, local and state tax regulations, the Kentucky Department of Revenue and the Jefferson County Clerk's office as resources. Sources associated with the U.S. Census Bureau, Urban Land Institute, Institute of Transportation Engineers and the Commercial Buildings Energy Consumption Survey were referred to for employment and business information need to establish occupational license tax assumptions.

Jefferson County PVA data was also used for residential land acquisition data and real property values. The Jefferson County Property Valuation Administrator provided insight into anticipated changes in property value over the next 20 years. These insights helped to determine real property appreciation projections for each of the three subareas: West Louisville, the Downtown, East & South Urban neighborhoods and the Jefferson County suburbs.

Assumptions associated with infrastructure costs were provided by industry professionals and the consultants' own experience. Other Metro Government expenditures associated with administrative and code enforcement efforts related to vacant and abandoned properties were provided by the Mayor's Innovation Delivery Team. The Department of Community Services & Revitalization provided data on affordable housing subsidies, affordable housing construction and rehabilitation costs.

To establish estimates for commercial and industrial land acquisition, the online commercial real estate listing and research site Loopnet was used. Additionally, Marshall & Swift provided data for construction and demolition costs associated with residential, commercial and industrial buildings.

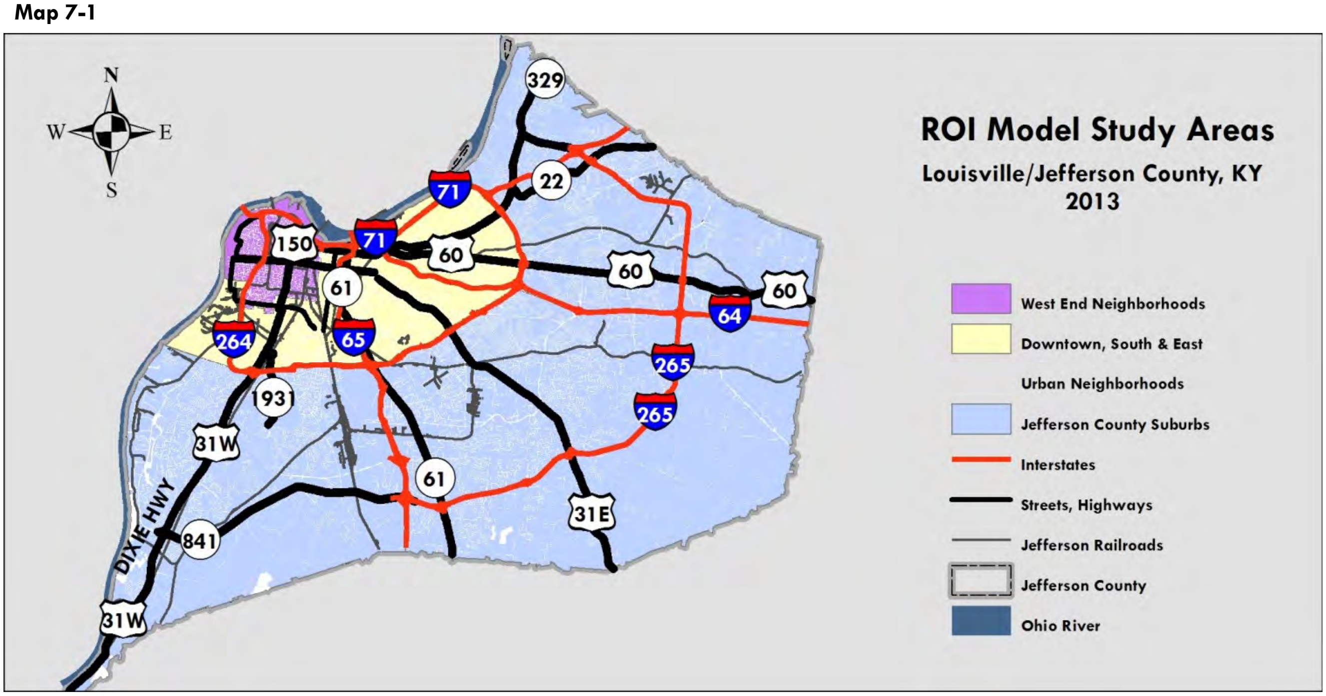
2.4. Limitations of the ROI Analysis

While a return on investment analysis can be an effective way to illustrate the investment and revenue relationship for a public sector project, it does have limitations. First, the model is limited by the number of inputs that could be quantified and tied directly to the public action or revitalization investment. Not all revitalization results can be monetized, nor can all revenues be quantified or tied back to the original public investment or action. Only those related to neighborhood revitalization effort have been included. Not all costs to Metro Government associated with new development have been taken into account. The model is an expression of an overall return on investment and less an analysis of specific fiscal impacts. Therefore, certain costs related to the municipal cost of services, such as changes in education costs or public safety calls (i.e., police, fire & EMT) are not included.

Second, the model is based on a set of assumptions. These assumptions are tailored to each of the three geographic focus areas in this study: (1) West Louisville Neighborhoods, (2) Downtown, East & South Urban Neighborhoods and (3) Jefferson County Suburbs (Map 7-1). However, these assumptions do not address all of the nuances that can exist within a smaller project area. The objective of the model is to give a more general sense of what actions might produce the most return and how they differ by location. It is not a site specific or project-based analysis tool.

Third, the model is focused on the direct results of public sector actions. Therefore, it does not directly address future returns generated by unrelated private or non-profit sector investments. Any actions taken by Metro Government would be designed to stimulate revitalization in the general area of the original public investment. However, only those developments that are directly linked to the public investment are captured in the ROI model results. Additional spin-off development would add to Metro Government's investment return and would be expected to occur at a rate of three to five times the original public investment. Such private leverage ratios are typical of many public sector revitalization projects and are often required as targets for HUD-funded projects across the country.

Map 7-1



Source: RKG Associates, Inc., 2013

B. PUBLIC INTERVENTION METHODS AND METRICS

1. Code Enforcement Inspections, Maintenance & Judicial Measures

Louisville Metro Government is currently conducting a variety of code enforcement inspections, maintenance and judicial measures as a regular and necessary part of addressing issues associated with vacant, abandoned and deteriorating property. Many of these efforts are essential activities that have associated costs which are part of the existing budget of the consolidated government. They are also an important part of any neighborhood revitalization strategy.

Not all of the expenses related to code enforcement inspections, maintenance and judicial foreclosures have returns that are quantifiable and thus could not be included in the return on investment model. Many of the benefits associated with these actions are related to reducing the presence of blighting influences and slowing the pace of neighborhood decline.

1.1. Code Enforcement and Inspections

Code enforcement and property inspections are one way of identifying vacant and abandoned properties and tracking areas where blighting influences may exist. Code enforcement and inspections are ongoing activities of Metro Government and are incorporated into the return on investment model as elements of existing and future intervention strategies.

As seen in Table 7-1, more than 24,000 code enforcement actions currently occur at vacant and abandoned properties annually at a cost of approximately $34 per inspection. On average, 2.9 inspections per property are conducted each year, indicating that ~8,500 different vacant properties are currently being monitored by code enforcement inspectors. The estimated annual cost of these inspections to Metro Government is roughly $630,000.

1.2. Cutting & Cleaning

Once a vacant property has been identified through code enforcement and inspection, if the owner does not take corrective action, the maintenance is often taken over by Metro Government. Cutting grass and weeds and cleaning illegal dumping are part of an on-going maintenance program meant to decrease the blighting influences of property abandonment and

Table 7-1
Louisville/Jefferson County Metro Government
Service Metrics and Costs Associated with Vacant & Abandoned Properties

Activity	Avg. Cost Per Instance	(Baseline) Avg. instances per property per year	Avg. annual cost per property/year	(Intervention) Avg. instances per property per year	Avg. annual cost per property/year	Current # of units per year
Inspection	$34.00	2.9	$98.60	4.35	$147.90	24,723*
Boarding	$74.58	1.59	$118.88	1.0	$270.00	650
Cutting & Cleaning (Inc.Trash Collection)	$443.86	1.2	$536.00	2.4	$1,065.26	2,416
Demolition	$7263 (median)	1	$7,263.00	1	$7,263.00	100
Foreclosure	$ 4,000	1	n/a		n/a	100

Source: IDT and Louisville/Jefferson County Metro Government
*# of 2012 inspections on a property that was designated vacant residential or vacant lot (RV, RL, CV, or CL).

preserve public health and safety.

Metro Government currently provides cutting and cleaning services for 2,416 properties per year at an average cost of $444 per instance. On average, 1.2 cutting and cleaning events occur on each property annually resulting in a cost of $536 per year. In 2012, the costs associated with cutting and cleaning was approximately $1.32 million. In addition to these ongoing efforts, additional cutting and cleaning will be necessary as Metro Government acquires additional distressed properties as part of an intervention strategy (Table 7-1).

1.3. Boarding

Similar to property maintenance, the boarding of vacant and abandoned buildings helps stabilize conditions and reduce the incidence of crime and people living in abandoned structures. Annually, Metro Government boards 650 *new* units that have come online, and 1764 units in total. The cost associated with each boarding is $75. In 2012, Louisville Metro Government spent approximately $136,000 on boarding units (Table 7-1).

1.4. Demolition

Demolition is used by Metro Government to remove abandoned buildings after the legal owner has refused to take remediative action. These structures are typically beyond reasonable structural repair and pose a threat to community health and safety. Currently, Metro Government demolishes approximately 100 residential units per year at a median cost of $7,263 per unit. In fiscal year 2013 the total cost of demolitions was approximately $815,000. A more aggressive intervention strategy in the future might incorporate the demolition of commercial and industrial buildings, which have blighting influences as well. Based on cost information provided by Marshall & Swift, RKG Associates estimates that commercial demolition could cost approximately $4.50 to $5.00 per square foot and industrial could cost $3.50 to $4.00 per square foot, not including environmental remediation (e.g., asbestos removal) (Table 7-1).

1.5. Judicial Foreclosures

Metro Government initiates legal action against a number of property owners through the judicial foreclosure process when there are code enforcement liens on a property. Properties that are foreclosed upon through this process are then sold through auction by the Jefferson County Master Commissioner's Office. Timely completion of this process can increase the speed with which these properties return to private use and become available to developers and investors.

Metro Government initiates foreclosure on approximately 100 properties annually. Each foreclosure costs an average of $4,000 to cover fees, research, legal staff time and overhead expenses. This level of activity results in annual estimated cost of $400,000 in foreclosure proceedings (Table 7-1).

2. Pre-Development Activities

While many of the code enforcement inspections, maintenance and judicial measures are already part of Metro Government's current revitalization efforts, pre-development activities relating to land acquisition, infrastructure investments and public subsidies are key elements of a partnership-based intervention strategy. Public expenditures in these areas have the most direct impact on generating quantifiable revenues and returns to Metro Government.

2.1. Land and Building Acquisition

The purchase of land and buildings through a governmental entity, such as the Landbank Authority, is one activity reflected in the ROI model. Acquiring properties gives Metro Government site control and allows it to assemble land for resale to private individuals or development entities to facilitate redevelopment. Land assemblage for redevelopment is a traditional public sector function and is very difficult for private or nonprofit development companies to accomplish efficiently. The cost, time commitment and complexity associated with land assemblage create a disincentive and often stall redevelopment.

RKG Associates calculated the average of recent and comparable sales of land and buildings in the West Louisville neighborhoods, Downtown, East & South Urban neighborhoods and the Jefferson County suburbs. To account for variation in real property values and to reflect the fact that many of the properties acquired will be distressed, a location factor was applied to land and building acquisition pricing to reduce them below current market value. For example, in the West Louisville neighborhoods, it is estimated that residential lots will be acquired at 66% of their average sales price on a per lot basis. This percentage increases to 75% in the Downtown, East & South Urban neighborhoods and 85% in the Jefferson County suburbs, where property values and market conditions are stronger than West Louisville.

2.2. Infrastructure Investments

Infrastructure investments such as sidewalk and street construction and water and sewer line replacement are typical in neighborhood revitalization efforts. Street and sidewalk improvements may be required to enhance the physical appearance of a redevelopment area and should be offered in support of private redevelopment efforts. Streetscape improvements are not a solution in and of themselves, but can enhance redevelopment efforts by improving the public realm and are often tied to key traffic or intersection improvements.

Investing in infrastructure can also encourage development by reducing the cost of these improvements to a private developer. It is estimated that neighborhood sidewalk improvements will cost $30 per linear foot, with street reconstruction costing up to $400/LF and water and sewer line replacement at $40/LF. The ROI Model also accounts for new publically financed parking facilities, which might be necessary to support a larger private mixed-use development project. The cost for structured and underground parking can range from $18,000 to $35,000 per space, depending on location and site conditions. Given the high cost, it is recommended that such investments be reserved for projects that achieve a tangible public benefit and may be part of a larger catalyst development. Such projects typically occur at a larger scale and may require parking structures that can be jointly used by public and private users.

2.3. Catalyst Redevelopment

Catalyst redevelopments are often used to anchor a target area with a larger project that meets a number of different revitalization objectives. Such projects often include employment generation as a central activity, supported by new housing development, shopping and dining opportunities and additional service businesses. Catalyst projects can also include community facilities like libraries, parks, recreation and community centers, hotel/conference facilities or new government office buildings.

The City's current HOPE VI project in the Sheppard Square area is an example of a residential catalyst project that is transforming Smoketown with a $22 million grant from HUD. The project is modeled on LMHA's two award winning HOPE VI sites – Villages of Park DuValle in West Louisville and Liberty Green in downtown Louisville. This HOPE VI grant will provide more than 450 new homes for local families, as well as quality job and learning opportunities for Sheppard Square households. To accomplish this ambitious Revitalization Plan, HOPE VI funds will be leveraged with more than $90 million in physical development commitments and $4.2 million in community and supportive services.[1]

2.4. Municipal Bond Debt

In order to implement a more aggressive revitalization program, Metro Government will need to commit more funding for critical investments in new and rehabilitated housing, infrastructure, development subsidies, demolition and a wide variety of administrative, code enforcement inspections and foreclosure activities. Currently, much of Louisville's community development and revitalization activities are funded through various federal programs (i.e., CDBG, HOME, HOPE VI, etc.), tax increment financing districts and other programmatic sources. These

[1] Louisville Metro Housing Authority website: http://www.lmha1.org/hopevi/sheppard_square_hopevi.htm

sources are not currently large enough to support a more ambitious revitalization program, which could cost hundreds of millions of public dollars with the intent of leveraging 1 to 5 times that amount in private and nonprofit investments, depending on the activity. In order to successfully revitalize the urban neighborhoods, Metro Government must be able to attract private investment on a level many times greater than the public investment.

Metro Government's ability to finance some, if not all of its capital investments through its municipal bonding capacity will greatly improve its revitalization results. Financing such investments on a "pay as you go" basis is not realistic and greatly limits Metro's ability to change the dynamics in some of its most challenged neighborhoods. For example, a $1 million investment could be used annually to subsidize the construction of 200 new homes over the first 10-year period, or it could be used to make payments on a $13.2 million bond issuance in Year 1. While borrowed money will cost more to use, the impacts are many times greater and more immediate than an annual appropriation. In addition, the ability to increase public investment will help to attract larger sums of private and nonprofit money, which may not have been attracted by the smaller investment.

C. MEASURING PUBLIC RETURN ON INVESTMENT

1. Tax Base and Revenue Sources

The return on investment for a public sector project can be measured by the expansion of the tax base and changes in municipal tax revenue over time. Of the revenues used to fund Metro Government, those from real and personal property taxes and occupational license taxes are the most substantial. In fiscal year 2010–2011, 87.9% of general fund revenues and 81.1% of all revenues came from property taxes and Revenue Commission payments. Revenue Commission payments represent the largest portion of revenues – 60% of the General Fund and 55% of all revenues[2]. Revenue Commission payments include revenues primarily generated by Occupational License Taxes. Property tax revenues come primarily from real and personal property taxes. Therefore, these taxes were the measurements used to assess revenues for the return on investment model.

The consultant acknowledges that not all sources of revenue are accounted for within the taxes mentioned above. Roughly 10% to 20% of revenues are generated from other sources such as licenses and permits, intergovernmental revenue and municipal aid. Given that these sources of revenue make up a smaller portion of the total revenue for Louisville Metro Government, and could not be directly linked to proposed revitalization investments, they were not included in the return on investment model. In addition, sales taxes were also excluded from the model because they are collected by the Commonwealth of Kentucky and then redistributed to local jurisdictions in the form of intergovernmental transfer payments.

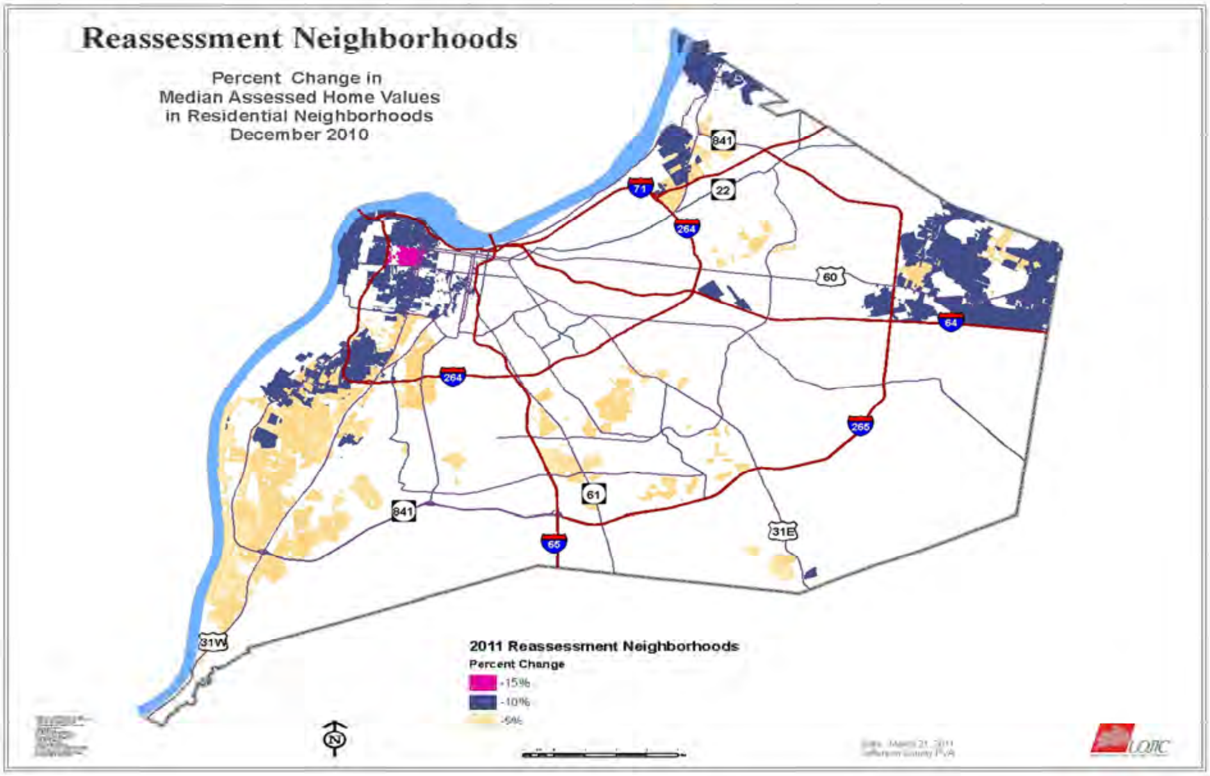
1.1. Real Property Taxes[3]

The real property tax base changes in value with local market and economic fluctuations. Revenues derived from real estate can fluctuate as the tax base expands during healthy economic periods and declines during economic recessions. Prior to 2008, real property values had experienced steady appreciation for over a decade. Figure 7-1 shows that between 2008 and 2010, local real estate values started to decline in certain areas of Jefferson County. These conditions have started to improve and real estate sales activity and pricing are increasing. According to the Jefferson County PVA, 8,981 home sales were recorded in 2012, up from 7,612 sales in 2011, but still 14.9% below pre-recession levels of 10,560 recorded in 2007.

[2] Louisville Metro Government (2012) *Revenue Estimates and Receipts Table: 2012 – 2013 Approved Budget*. Retrieved May 6, 2013 from http://www.louisvilleky.gov/ yourtaxdollarsatwork/2012-13_budget.htm

[3] In accordance with HB 44, property tax revenue cannot grow in the aggregate by more than 4% each year without a Metro Council vote (does not include new construction). To the extent that property tax revenue would grow as a result of the city's revitalization activities, such growth would be limited to 4% in the aggregate (not including property tax revenue from new construction)"

Figure 7-1



Source: *2011 State of the Real Estate*, Jefferson County PVA

However, some areas such as the West Louisville neighborhoods have lost value. In early 2013, the Jefferson County PVA announced that property assessments in many West Louisville neighborhoods would be reduced by a low of -4.6% in Shawnee to a high of -17.9% in California based on recent comparable sales activity.[4] West Louisville has been severely affected by hundreds of foreclosures and high property vacancy and abandonment, which is now being reflected in below market value sales activity.

In the future, land and buildings acquired by Metro Government through the Landbank Authority will be removed from the tax rolls until they can be returned to private use through resale and redevelopment. However, development associated with the repurposing of acquired properties will enhance revenues by expanding the real property tax base. Over time, the value of these properties will appreciate as market conditions improve. Any new construction or rehabilitation efforts, especially those partially funded by affordable housing subsidies, will not result in property value increases equal to the amount of the subsidies or the cost of new construction or rehabilitation. Depending on location and market conditions, actual assessed values will vary. According to the Department of Community Services & Revitalization, only 54% of the cost associated with constructing a new home in the West Louisville neighborhoods will be reflected in the new appraised and assessed value after construction. This indicates that roughly 46% of the upfront investment is not captured and cannot be taxed at full value, which is largely due to poor market conditions and the lack of comparable sales transactions to support the home's actual value. This problem is particularly acute in distressed areas and makes it difficult to attract private investors and developers without deep public subsidies. If a newly constructed home cannot appraise for a value equal to or greater than its actual cost,

[4] Jefferson County PVA, 2013

developers will lose money on each home sold and buyers will not be able to obtain suitable mortgage financing to purchase the home.

Similarly, housing rehabilitation subsidies of approximately $65,000 typically return only $28,600 or 44% of the actual amount invested in the form of increased market and assessed value. As stated previously, the percentage of recaptured value varies in different parts of Louisville as conditions vary (Table 7-2).

Table 7-2
Market Value Adjustments by Area
New Construction & Rehabilitation

	West End Neighborhoods	Downtown, East & South Urban Neighborhoods	Jefferson Co. Suburbs
New Construction			
Residential (Cost/Unit)	54%	75%	100%
Commercial - Multi-Family (Cost/SF)	66%	95%	100%
Commercial (Cost/SF)	75%	95%	100%
Industrial (Cost/SF)	85%	85%	100%
Rehabilitation			
Residential (Value/Unit)	44%	55%	65%
Commercial - Multi-Family (Value/SF)	50%	55%	65%
Commercial (Value/SF)	50%	55%	65%
Industrial (Value/SF)	50%	55%	65%

Source: Department of Community Services & Revitalization & RKG Associates, Inc., 2013

For commercial and industrial properties, similar estimations were made about the costs associated with new construction and rehabilitation and the actual assessed value a development will produce. In the West Louisville neighborhoods, the percentage of real property value achieved through new construction ranged from 66% to 85% of actual cost. In the Downtown and Suburbs, RKG believes that 98% to 100% of market value could be achieved. This is largely because the negative factors that are depressing real estate values in West Louisville (e.g., poor conditions, crime, poverty, vacant & abandoned properties, etc.) are less prevalent in these areas.

For rehabilitation, additional real property value was estimated to be 44% to 50% of the total cost in West Louisville and 55% and 65% in the Downtown, East & South Urban neighborhoods and Jefferson County suburbs. Again, the increased assessed property value from rehabilitation investments is closer to market value because blighting influences are not depressing values to the same extent.

Real property tax rates also vary throughout Jefferson County based on the location of the property, mostly due to the presence of the Urban Service District. The local tax rate on real property is derived from four separate taxing districts including: (1) Metro Louisville, (2) Fire District, (3) School District, and (4) Urban Services District. These districts cover the entire county and overlap. However, the Urban Services District tax rate, which covers services such as solid waste pickup and disposal, fire protection, street lights, etc., is applied in the ROI to both the West Louisville and Downtown, East & South Urban neighborhoods. Properties in the Jefferson County suburbs are not within the Urban Services District boundaries and pay for the additional services outside of their County tax rate for those services as well as possibly paying a smaller city assessed tax.

Given that local tax revenues provide the return on investment to Louisville Metro Government, state imposed taxes were removed from the model. Based on these assumptions, the 2012 real property tax rates for the West Louisville neighborhoods and Downtown, East & South Urban neighborhoods were calculated at $1.2921 per $100 in taxable value and the Jefferson County suburbs were calculated at $0.9255 per $100 in value. This indicates that while real estate values may be stronger in the suburban areas, the tax rate applied to these values is lower on average, mostly because fewer services and smaller city taxes are included in the tax rate outside of the Urban Service District and school district tax rates.

1.2. Personal Property Taxes

In addition to real property, most residential, commercial and industrial properties have taxable personal property that generates revenue through taxation. For residential properties, this is typically a tax on the market value of motor vehicles, and for commercial and industrial tax payers. Personal property includes motor vehicles, business equipment and supplies. When new residences and businesses are created, the personal property tax base expands.

To estimate the value of personal property for each new development, a proportional relationship was established between the assessed value of all real property and all personal property as components of the county's total assessed value. Based on known values for real property, the value of personal property for commercial and industrial development was estimated. Similar proportional assumptions related to real property values were used to establish motor vehicle property value.

Similar to real property, personal property tax rates vary not only by the location of the property, but also between types of personal property. In the West Louisville neighborhoods and Downtown, East & South Urban neighborhoods, personal property is taxed at a rate of $1.432 per $100 in value and the Jefferson County suburbs the tax rate is $0.996 per $100 in value. For motor vehicles, a rate of $0.751 is applied per $100 in value for the West Louisville neighborhoods and Downtown, East & South Urban neighborhoods while motor vehicles associated with residents or businesses in the Jefferson County suburbs pay $0.815 per $100 in value in taxes.

1.3. Occupational License Taxes

Almost all businesses in Jefferson County must pay occupational license taxes on net profits and employee withholdings. Comprehensive neighborhood revitalization often includes development of residential, commercial and industrial properties. Developing commercial and industrial buildings has the potential to increase the tax base for occupational license taxes by adding employees, payroll and net profits of the company.

Estimated payroll was used to approximate employee withholdings, which is annual compensation as reported on employee W-2 forms. To determine the revenue associated with net profits for each new commercial or industrial development, a proportional relationship was established between the revenues of all employee withholdings and all net profits as components of total occupational license tax revenue for all businesses.

The total amount of employee withholdings and net profits associated with each business added by commercial and industrial development is converted to revenue for Metro Government by applying a tax rate based upon the county of residence of the employees. Jefferson County employee wages are taxed at a different rate than employees residing outside the county.

According to the U.S. Census Bureau, 51.8% of employees working in West Louisville live in Jefferson County. Roughly 51.6% of employees working in the Downtown, East & South Urban neighborhoods live in Jefferson County and 48.4% of employees in the Jefferson County suburbs live in Jefferson County. Based on these proportions, the total employee withholdings and net profits are taxed at $0.022 for residents of Jefferson County and $0.0145 for non-residents.[5]

1.4. Insurance Premium Taxes

Insurance premium taxes are collected from insurance companies for all insurance holders living in Jefferson County. When itemized as revenue by Louisville Metro Government, they are included within Occupational License Taxes. New residents associated with employment opportunities through commercial and industrial development will add to the revenues generated from this tax.

As a part of the total revenues associated with Occupational License Taxes, a proportional relationship was established between the revenues of all employee withholdings, all net profits and all insurance premium taxes as components of total occupational license tax revenue to determine the

[5] Longitudinal Employer-Household Dynamics (LEHD) model, U.S. Bureau of Census, http://lehd.ces.census.gov/

portion associated with insurance premium taxes. To this value, a $0.100 tax rate was applied in all areas of Jefferson County.

2. Economic Development

As mentioned previously, comprehensive neighborhood revitalization initiatives often combine new housing with infrastructure investment, enhanced services and economic development activities. In addition to residential units, most projects areas will also incorporate a mix of commercial and industrial development. Ideally, this development will generate employment opportunities within the project areas. While all new jobs may not be filled by neighborhood residents, RKG has assumed that roughly 50% will be filled by employees living somewhere else in Jefferson County.

3. Private Sector Leverage

The direct financial investments made by Louisville Metro Government to revitalize its neighborhoods should have the potential to leverage private sector investment in the areas targeted for revitalization. Typically, the level of private leverage will depend on the project type and the City's ability to attract development partners and outside money. Typically, leverage ratios ranging from one to three times the public investment are achievable and larger redevelopment projects can generate much higher leverage ratios, perhaps greater than five times the public investment.

The ability to attract private investment will be driven, in part, by the project opportunity, the City's commitment to revitalization and the project's location and neighborhood conditions. As presented in the marketability analysis (Section 6), factors such as crime, property condition and blighting influences can deter private investment, as well as the interest of homebuyers, renters and developers. The ROI model recognizes that public subsidies and other government intervention will be required to attract investment in the most challenging locations. This is because the most difficult areas add potential risk and uncertainty about the project outcome. The potential for project delays, vandalism, the loss of construction materials, complex land assembly, marketing challenges and funding gaps make urban redevelopment a complex and risky endeavor for most conventional developers. This is why public sector participation is so critical, because it can take positions and undertake activities that reduce risk and uncertainty.

Public sector investment returns can be achieved as areas start to revitalize and more developers are attracted to project opportunities without public subsidies or other interventions. This often takes several years to achieve after some success has been achieved, but the greatest public investments are likely to occur during the early years of revitalization as neighborhood conditions are unstable and it's difficult to leverage private money.

D. PUBLIC RETURN ON INVESTMENT MODEL

1. Purpose and Need

The public Return on Investment Model was developed to examine how different approaches to urban revitalization can produce different financial returns to a municipal government. The model compares a *Baseline Maintenance* revitalization program to a more aggressive *Intervention* program, which assumes a more comprehensive revitalization approach and larger financial commitment to more closely match the size of the problem. The scenarios are not intended to represent all of the total revitalization activity occurring within a given area of the city, but rather those activities directly involving Metro Government. It is assumed that numerous other housing and development partners will be carrying out projects, independent of the City's involvement, but that activity is not captured in the model. The ROI model attempts to quantify those impacts directly related to the revitalization actions of Metro Government.

2. Locational Differences

The three study areas have some notable differences in market conditions and real estate pricing, tax rates and revitalization needs (Map 7-1). The ROI Model illustrates how the same revitalization program could produce different results in each area. The reader should not assume that the proposed revitalization program is appropriate in each location; instead, it is meant to allow for an apples-to-apples comparison of the relative ROI of taking action in different areas of the city.

With regard to expenditures, the assumptions made in the costs associated with land and buildings varied by area. Generally, properties in the more urban areas of Jefferson County are experiencing more severe market conditions and the concentrations of distressed properties are driving down market prices for land and buildings, resulting in lower assessed and market values. This is not true throughout the entire county, but in those neighborhoods most likely to be targeted for revitalization.

Regarding future revenue projections, local market adjustments to the value of properties relative to the cost of new construction or rehabilitation were more substantial in the urban areas than in the suburbs. This suggests that the value added to the tax base in the urban areas is less, on average, than the value added in the suburbs for the same dollar investment. While this may be true, the level of need in the urban areas is much greater than most suburban locations.

3. Baseline Maintenance Scenario

The baseline maintenance scenario assumes that existing code enforcement inspections, administrative and judicial measures on vacant and abandoned properties continue for the next twenty years at levels comparable to today. Given the desire of Metro Government to further the goals of neighborhood revitalization, a modest increase in the level of activities such as code enforcement and property maintenance was assumed to be part of this scenario. Other activities, such as new housing construction and rehabilitation, judicial foreclosures and demolitions remained at existing levels. In addition, land acquisition is part of the baseline scenario, as well as the distribution of housing subsidies to achieve greater affordability. This leads to a modest level of development across the 20-year projection period of the model.

4. Intervention Scenario

The Intervention scenario assumes a higher level of investment in a more diverse set of program activities. The main assumptions in the Intervention scenario are designed to reduce the total number of vacant and abandoned properties down to zero over a 20-year period. While this level of intervention may not be achievable due to its high cost, it establishes the upper level of investment required to address the city's VAP problem within 20 years. This scenario also assumes that by the end of a three year ramp-up period, Metro Government's capacity to undertake comprehensive revitalization increases in Year 4 with the creation of a new implementation organization with the powers, authorities and financial capabilities necessary to lead the effort. Accordingly, the level of intervention increases in all activities including code enforcement inspections and property maintenance, demolitions, judicial foreclosures, new housing construction and all manner of neighborhood revitalization. While the return on public investment changes over time, this increased investment results in more tangible benefits on the ground and the return on the public investment changes over time.

5. ROI Model Scenario Assumptions

5.1 Development Program

The ROI model assumes the same development program for each of the three study areas in order to compare the results of Metro activity in these general geographical areas. The development program consists of the number of new or rehabilitated housing units or commercial and industrial square feet added to the tax base as a direct result of Metro Government's actions. The more aggressive Intervention scenario is more comprehensive in approach and results in a greater impact on housing over the 20-year projection period, going from 480 new and rehabilitated single family units under the Baseline Maintenance scenario to 1,137 units under the Intervention scenario. In addition, the Intervention scenario includes an economic development component which includes the construction of 340,000 SF of new commercial and industrial space, as well as the rehabilitation of 80,000 SF of existing vacant commercial space. Finally, the Intervention scenario includes the construction of 240,000 SF of mixed-income rental housing and the renovation of another 150,000 SF, resulting in the creation of roughly 520 new apartments (Table 7-3). The City's role in these revitalization projects consists mostly of land assemblage, infrastructure, rehabilitation assistance and affordable housing subsidies, but not publically financed construction of new facilities.

Table 7-3
Development Program and Revitalizaton Inputs (Years 1-20)
Baseline Maintenance Scenario v. Intervention Scenario

	Baseline Maintenance Years 1-20	Intervention Years 1-20
DEVELOPMENT PROGRAM		
Buildings (Related to Redevelopmentr Activity)		
Residential - New Construction (Unit)	100	585
Residential - Rehabilitation (Unit)	380	552
Commercial (Multi-Family) - New Construction (SF)	-	240,000
Commercial (Multi-Family) - Rehabilitation (SF)	-	150,000
Commercial - New Construction (SF)	-	100,000
Commercial - Rehabilitation (SF)	-	80,000
Industrial - New Construction (SF)	-	100,000
Industrial - Rehabilitation (SF)	-	
Land (Related to Redevelopment Activity)		
Residential (Lots)	480	1,137
Commercial - Multi-family (SF)	-	750,000
Commercial - Other (SF)	-	600,000
Industrial (SF)	-	400,000
ADMINISTRATIVE SERVICES/CODE ENFORCEMENT OUTPUTS		
Code Enforcements Inspections (Units/Lots)	260,466	316,629
Foreclosures (Unit/Lots)	2,000	2,878
Demolitions		
Residential (Units)	2,000	2,200
Property Maintenance (Units/lots)		
Curtting & Cleaning (Lots)	38,519	77,038
Boarding (New Events)	20,722	13,000
Infrastructure Investments		
Sidewalk Improvements (LF)	-	4,800
Street Improvements (LF)	-	2,400
Water/Sewer (LF)	-	600
Parking	-	766
Surface (Spaces)	-	480
Structure (Spaces)	-	286
Underground (Spaces)	-	-
PRE-DEVELOPMENT OUTPUTS		
Neighborhood Planning Expenditures	$ 4,000,000	$10,000,000
Land Acquisition		
Residential (Parcel)	300	873
Commercial (Acre)*	-	4
Industrial (Acre)*	-	9
Building & Land Acquisition		
Residential (Unit)	100	100
Commercial (SF)	-	-
Industrial (SF)	-	-
Demolitions		
Commercial (SF)	-	-
Industrial (SF)	-	-
Affordable Housing Subsidies		
New Construction	100	585
Rehabilitation	380	552

Source: RKG Associates, Inc., 2013

5.2. Administrative Services, Code Enforcement & Infrastructure Investments

Metro Government has been actively engaged in the provision of services to reduce the effect that vacant and abandoned properties are having on Louisville's neighborhoods. The scale of the problem over the past several years has far exceeded the government's ability to substantially reduce the blighting impacts. In the future, it is assumed that greater capacity and financial commitments will allow the local government to do more in the way of code enforcement inspections, judicial foreclosures, demolitions, property maintenance and similar blight elimination activities. In addition, the model accounts for the likelihood that government may be required to invest in infrastructure improvements in partnership with private developers to revitalize areas.

The Intervention scenario produces greater results over twenty years - 878 additional foreclosures and 200 more demolitions than the baseline scenario, and the more aggressive approach allows Metro Government to more rapidly reduce its need for code enforcement inspections and property maintenance services as vacant and abandoned properties are either removed or put back into productive use.

5.3. Pre-development Expenditures

Pre-development expenditures include those costs required to prepare for future neighborhood revitalization initiatives, from acquiring land and buildings for future redevelopment to providing affordable housing subsidies. These activities will occur on an annual basis, usually in cooperation with other development partners (both for-profit and non-profit) that are interested in partnering with Metro Government in targeted neighborhoods.

Under the Intervention scenario, Metro Government through its Landbank Authority is much more proactive and strategic with its land acquisition practices. One of the most important factors contributing to successful revitalization is the ability to achieve site control. In the future, the Landbank would actively pursue properties, both distressed and some market rate, to accomplish redevelopment in key locations where the projects can have a catalytic effect. These projects are typically larger in size, scale and more complex.

6. ROI Model Results

The ROI model calculates a return on the public investment after the end of Year 20 to account for the fact that neighborhood revitalization can take several years to plan, fund and implement. For all intents and purposes, Louisville's revitalization challenge is a generational problem and will require a long-term commitment to reverse the trends in some neighborhoods.

The ROI calculation compares the City's measurable expenditures against its returns, in the form of increased tax revenues over the 20-year projection period. For example, if the City generates $5 million in additional tax revenues over ten years as a result of spending $50 million to revitalize an area, the return would equal 10%, for an average annual return of 1%. While such an investment would not be considered viable compared to traditional financial investment alternatives, local government must take a longer-term view to such endeavors. While financial returns may be modest, the stabilization of neighborhoods and the preservation of public health and safety are immeasurable and should not be overlooked.

6.1. Increasing Return on the Public Investment

In order to increase its financial return on the public investment, Metro Government must do the following:

- <u>Increase Public, Private, and Non-profit Partnerships</u> – The ability to attract non-public money to revitalization areas will have a greater impact on financial return than any other single action. This will require Metro Government to work in close partnership with its private and non-profit development partners to carry out activities in targeted areas. In order to accomplish this, Metro must carefully select the locations and methods used to revitalize different areas. This may require a change in approach and a commitment to direct public dollars in a more targeted way, rather than spreading limited funds through many different areas and having very little impact.

- Increase Organizational and Financial Capacity – In order to leverage greater amounts of non-public money, Metro Government must be prepared to make larger and more strategic investments where they are needed to unlock *"Other People's Money."*

  This will require Metro to become more of an equal partner and in some cases a "deal-maker," when appropriate. Committing financial resources that are both significant and sustainable and utilizing the City's borrowing power are critical elements. Urban revitalization requires public action to mitigate risk and remove structural problems requiring the government's involvement. In Louisville, the private real estate market is not strong enough in some neighborhoods to justify the investment risk without public intervention.

- Strategic Actions in Targeted Areas - This approach concentrates Metro's planning, organizational, funding and implementation efforts in areas that are ready for revitalization. This means that the City is working in areas with an established revitalization strategy and is working in partnership with others that have the capacity to implement change. This also includes residents, who should be actively engaged in the planning process leading up to implementation.

6.2. ROI Comparative Analysis

The results of the ROI model indicate that the Baseline Maintenance approach would yield the highest return on investment of 4.5% in the West Louisville neighborhoods over the 20-year period. The Intervention approach would be also more successful in the West Louisville neighborhoods, resulting in a ROI of 27.3% (Table 7-4). These results are largely due to two reasons. First, the West Louisville area has a much higher concentration of distressed properties, which is lowering property values and makes property acquisitions more affordable. Secondly, the West Louisville neighborhood's property tax rates are higher to reflect the number of additional services provided within this area that are not provided outside this area of the county.

Property acquisition accounts for the second largest expense category behind affordable housing subsidies over the projection period. The most costly area is the Jefferson County suburbs, which has the highest real estate values, which makes land and building acquisition more costly, on average. Given the importance of site control in redevelopment, it is essential that the City be able to assemble properties in an efficient and affordable manner.

Baseline Maintenance v. Intervention Approach

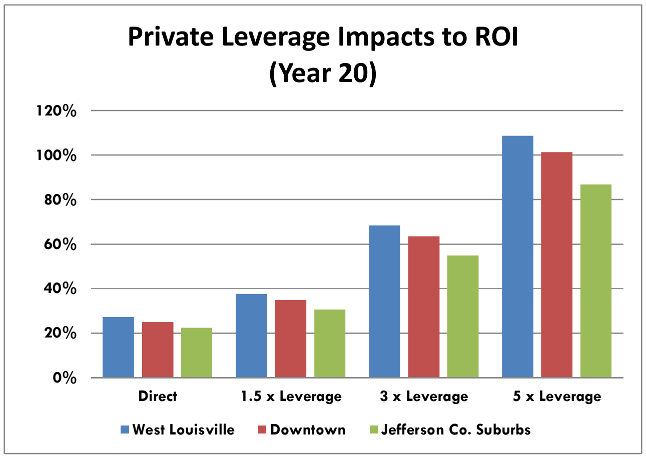
The Baseline Maintenance approach does not produce suitable returns on the public investment, nor does it produce enough tangible results on the ground to make a real impact in the most distressed neighborhoods. It is not until public dollars are used to grow the tax base or grow employment that they start to return revenue to local government. While the current program of code enforcement, foreclosures, demolitions and property maintenance are essential elements of Metro's response to the vacant and abandoned property problem, they are not sufficient in and of themselves to reverse the trend of decline. However, they are effective at reducing the incidence of blight and reducing crime, which is already a problem in some neighborhoods.

On average, the Intervention approach produces 20-year returns that are 5 to 6 times greater than the Baseline Maintenance approach, with the largest spread occurring in the West Louisville neighborhoods (22.7% spread).

Impact of Private Leverage on ROI

As stated previously, Metro Government's ability to capture a greater return on its investment is based on its ability to leverage private investment at a multiple of the public investment. The results shown in Table 7-3 provide an estimated return at leverage ratios of 1.5, 3.0 and 5.0 times the direct public investment. If such ratios can be achieved, the ROI at the end of Year 20 increases to 108.6% in West Louisville, 101.3% in the Downtown, East & South Urban neighborhoods and 86.8% in the Jefferson County suburbs (Figure 7-2 and Table 7-4).

Figure 7-2



Source: RKG Associates, Inc., 2013

While a leverage ratio above five would be exceptional, even higher ratios are sometimes achievable for specific projects. According to the Department of Community Services & Revitalization, in responses to the City's Request for Interest relative to future site redevelopment project opportunities, early development proposals are offering leverage ratios of 2.0 to 4.0, which include heavy public subsidies. However, as revitalization success occurs, the need for subsidies will diminish as projects are able to attract private equity and traditional sources of debt financing. This will not be the case for projects such as affordable housing developments, which can only achieve affordability with outside subsidies given the low income of targeted residents.

An important element of the City's revenue stream in the ROI model is taxes on employee withholdings, insurance premiums and corporate net profits. This source produces nearly as much revenue as property taxes and is not present in the Baseline Maintenance scenario. This speaks to the dual need of incorporating economic development projects in future revitalization programs; first to address the employment needs of local residents, but also to increase tax revenues. In the Intervention scenario, it is assumed that 572 new jobs are created with an annual payroll of approximately $38 million in Year 20. These employment and payroll estimates do not include construction employment but rather permanent employment.

Net Present Value of the Public Investment

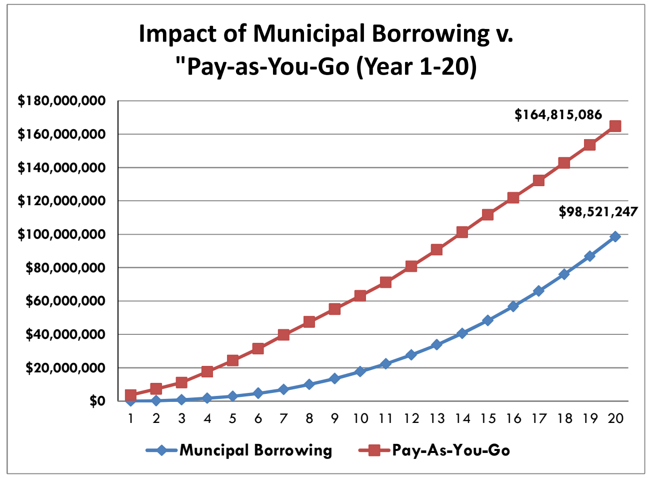
The net present value (NPV) is an investment analysis and capital budgeting tool used to analyze the profitability of an investment or project. Typically, a project or real estate development produces a series of annual cash flows over time representing the different between revenues and expenses. The NPV calculation represents the value of an investment today in exchange for a series of future cash flows. Net present value adjusts s future cash flows to reflect the cost of capital plus the investor's risk or discount rate. In the ROI, the discount rate is assumed to be the cost of capital (4%) or the City's municipal borrowing costs.

With these assumptions, none of the Baseline or Intervention scenarios produce a positive NPV. None of the projections actually return the City's original invested capital at the end of Year 20, but only a portion of its original investment. Accordingly, each scenario produces negative cash flows each year as expenditures far exceed projected revenues. The NPV values range from a high of -$72 million to a low of -$85 million, meaning that a traditional investor would not be willing to invest in such a venture without being given money upfront to compensate for projected losses.

Impact of Borrowing on ROI

One of the factors that increases the government's ROI is the ability to reduce its upfront investment in such things as infrastructure, housing subsidies, land and building acquisition and other capital expenses. Given the size and scope of this effort, it is unlikely that Metro Government will be able to "pay-as-you-go," when those annual outlays could range from $5.2 million to $8 million on just the baseline scenario. Any expansion of revitalization activities would drive the annual cost well above $10 million a year. However, with the use of the City's bonding capacity for capital expenses or the bonding capacity of a redevelopment authority, those same capital outlays could be reduced substantially. Using the Downtown, East & South Urban neighborhoods as an example, it is anticipated that approximately $164.8 million in public investment would be necessary to support the Intervention scenario over twenty years if Metro Government adopted the "pay-as-you-go" approach (Figure 7-3). This approach assumes no municipal borrowing – these investments would be paid for through annual appropriations. While not likely to occur, this demonstrates that Metro Government would have to invest an average of $8.2 million per year over 20 years to reduce the current number of VAP to zero. This amount would be in addition to the $2 to $4.5 million expended annually to carry out code enforcement inspections, boarding vacant structures, cutting and cleaning vacant properties and foreclosures.

Figure 7-3



Source: RKG Associates, Inc., 2013

While such assumptions are very ambitious and probably not financially feasible, they demonstrate the benefits of borrowing at low interest rates to reduce annual public outlays. Borrowing at municipal bond rates, estimated at 4%, Metro Government could reduce its 20-year outlays by roughly $66 million, from $164.8 million to $98.4 million (Figure 7-3) if all assumptions and projections are accurate and remain the same.

The ability to finance major capital investments is a critical element of "right-sizing" the City's response to meet the size of the challenge. Currently, much of the money used for housing and neighborhood revitalization comes from federal sources, which are diminishing over time. For example, if one assumes that the revitalization of the West Louisville Neighborhoods might cost a billion dollars, at a 4:1 leverage ratio, Metro might be expected to invest as much as $250 million over perhaps a 20-year period. If that investment was spread out in equal annual installments and the City was able to borrow those funds each year, in Year 21 the investment would require annual debt service payments in excess of $18 million. While this is an extreme investment scenario, it speaks to the financial limitations of the "pay-as-you-go" approach, particularly under a more comprehensive revitalization scenario.

7. Implications

The ROI model illustrates a couple of important factors that must be considered as Metro Government moves forward with its revitalization initiatives. First, how can it maximize the benefits derived from current and future public investments in neighborhood revitalization? In order to have a measurable impact on declining neighborhoods and to improve conditions, the City must work closely in concert with other development interests and community residents.

Where the City makes investments in the future may be as important as the type of investments it makes. Dedicating tens of millions of public dollars into the most severely challenged areas may not produce the best results, despite the high level of need in those areas. Dedicating and targeting resources in areas where they can have a "catalytic" effect and spin-off other development must be part of the strategy.

The traditional method of "pay-as-you-go" will probably not have a significant impact in some of the

City's most economically challenged neighborhoods. The scale of the investment needs to increase to meet the size of the problem, and currently that is not possible given the limited resources. Finally, if Metro Government wants to maximize the return on its investment to combat the vacant and abandoned property problem, it needs to pursue strategies that will stabilize and grow the tax base. The current approach of code enforcement, property maintenance, demolitions and foreclosures is essential but will not produce the measurable financial results Metro Government desires. This can only be achieved through comprehensive neighborhood revitalization efforts, with Metro Government providing the strategic vision and investment in areas that will attract federal, private and nonprofit investment.

Table 7-4

WEST LOUISVILLE NEIGHBORHOODS		Private Investment Leverage Impacts		
BASELINE MAINTENANCE SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 47,867,738	$ 47,867,738	$ 47,867,738	$ 47,867,738
Total Revitalization Investments (PAYGO) [1]	$ 68,885,036	$ 68,885,036	$ 68,885,036	$ 68,885,036
Total - Public Investment	$ 116,752,774	$ 116,752,774	$ 116,752,774	$ 116,752,774
Performance Metrics				
Number of Code Enforcement Inspections	260,466	260,466	260,466	260,466
Number of Foreclosures	2,000	2,000	2,000	2,000
Number of Cutting & Cleanings	38,519	38,519	38,519	38,519
Number of Boardings	20,722	20,722	20,722	20,722
Number of Demolitions	2,000	2,000	2,000	2,000
Number of Jobs Created [2]	-	-	-	-
New Annual Payroll [2]	$ -	$ -	$ -	$ -
New Homes Constructed	100	150	300	500
Existing Homes Rehabilitated	380	570	1,140	1,900
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 3,932,769	$ 5,899,153	$ 11,798,306	$ 19,663,844
Personal Property Tax Base	$ 1,374,080	$ 2,061,120	$ 4,122,240	$ 6,870,401
Occupational Tax Base	$ -	$ -	$ -	$ -
Total - Tax Revenues	$ 5,306,849	$ 7,960,273	$ 15,920,546	$ 26,534,244
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($75,188,152)			
Return on Public Investment	4.5%	6.8%	13.6%	22.7%
INTERVENTION SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 73,887,179	$ 73,887,179	$ 73,887,179	$ 73,887,179
Total Revitalization Investments (reflects municipal borrowing)	$ 75,857,915	$ 75,857,915	$ 75,857,915	$ 75,857,915
Total - Public Investment	$ 149,745,094	$ 149,745,094	$ 149,745,094	$ 149,745,094
Performance Metrics				
Number of Code Enforcement Inpections	316,629	316,629	316,629	316,629
Number of Foreclosures	2,878	2,878	2,878	2,878
Number of Cutting & Cleanings	77,038	77,038	77,038	77,038
Number of Boardings	13,000	13,000	13,000	13,000
Number of Demolitions	2,200	2,200	2,200	2,200
Number of Jobs Created [2]	572	629	744	858
New Annual Payroll [2]	$ 378,220,810	$ 416,042,891	$ 491,687,054	$ 567,331,216
New Homes Constructed	585	878	1,755	2,925
Existing Homes Rehabilitated	552	828	1,656	2,760
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 19,621,845	$ 29,432,767	$ 58,865,534	$ 98,109,223
Personal Property Tax Base	$ 9,365,131	$ 14,047,696	$ 28,095,393	$ 46,825,655
Occupational Tax Base	$ 11,820,749	$ 13,002,824	$ 15,366,974	$ 17,731,124
Total - Tax Revenues	$ 40,807,725	$ 56,483,288	$ 102,327,901	$ 162,666,002
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($72,453,918)			
Return on Public Investment	27.3%	37.7%	68.3%	108.6%

Source: RKG Associates, Inc., 2013
Discounty Rate 4.0%
Note:
[1] Assumes LMG pays for revitalization investments annually through direct outlays without using muncipal bonding
[2] Mutiplier of 1.1, 1.3 and 1.5 applied to direct jobs, payroll and occupational taxes to reflect leveraged effect of the original public investment

DOWNTOWN, EAST AND SOUTH URBAN NEIGHBORHOODS		Private Investment Leverage Impacts		
BASELINE MAINTENANCE SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 48,983,096	$ 48,983,096	$ 48,983,096	$ 48,983,096
Total Revitalization Investments (PAYGO) [1]	$ 93,670,758	$ 93,670,758	$ 93,670,758	$ 93,670,758
Total - Public Investment	$ 142,653,854	$ 142,653,854	$ 142,653,854	$ 142,653,854
Performance Metrics				
Number of Code Enforcement Inspections	260,466	260,466	260,466	260,466
Number of Foreclosures	2,000	2,000	2,000	2,000
Number of Cutting & Cleanings	38,519	38,519	38,519	38,519
Number of Boardings	20,722	20,722	20,722	20,722
Number of Demolitions	2,000	2,000	2,000	2,000
Number of Jobs Created [2]	-	-	-	-
New Annual Payroll [2]	$ -	$ -	$ -	$ -
New Homes Constructed	100	150	300	500
Existing Homes Rehabilitated	380	570	1,140	1,900
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 4,236,849	$ 6,355,273	$ 12,710,546	$ 21,184,244
Personal Property Tax Base	$ 1,480,323	$ 2,220,485	$ 4,440,970	$ 7,401,617
Occupational Tax Base	$ -	$ -	$ -	$ -
Total - Tax Revenues	$ 5,717,172	$ 8,575,758	$ 17,151,517	$ 28,585,861
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($92,104,036)			
Return on Public Investment	4.0%	6.0%	12.0%	20.0%
INTERVENTION SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 75,632,015	$ 75,632,015	$ 75,632,015	$ 75,632,015
Total Revitalization Investments (reflects municipal borrow	$ 98,521,247	$ 98,521,247	$ 98,521,247	$ 98,521,247
Total - Public Investment	$ 174,153,261	$ 174,153,261	$ 174,153,261	$ 174,153,261
Performance Metrics				
Number of Code Enforcement Inpections	316,629	316,629	316,629	316,629
Number of Foreclosures	2,878	2,878	2,878	2,878
Number of Cutting & Cleanings	77,038	77,038	77,038	77,038
Number of Boardings	13,000	13,000	13,000	13,000
Number of Demolitions	2,200	2,200	2,200	2,200
Number of Jobs Created [2]	572	629	744	858
New Annual Payroll [2]	$ 378,220,810	$ 416,042,891	$ 491,687,054	$ 567,331,216
New Homes Constructed	585	878	1,755	2,925
Existing Homes Rehabilitated	552	828	1,656	2,760
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 21,212,949	$ 31,819,423	$ 63,638,847	$ 106,064,744
Personal Property Tax Base	$ 10,539,562	$ 15,809,343	$ 31,618,687	$ 52,697,812
Occupational Tax Base	$ 11,799,786	$ 12,979,765	$ 15,339,722	$ 17,699,679
Total - Tax Revenues	$ 43,552,297	$ 60,608,532	$ 110,597,256	$ 176,462,235
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($84,930,265)			
Return on Public Investment	25.0%	34.8%	63.5%	101.3%

Source: RKG Associates, Inc., 2013
Discounty Rate 4.0%
Note:
[1] Assumes LMG pays for revitalization investments annually through direct outlays without using muncipal bonding
[2] Mutiplier of 1.1, 1.3 and 1.5 applied to direct jobs, payroll and occupational taxes to reflect leveraged effect of the original public investment

JEFFERSON COUNTY SUBURBS		Private Investment Leverage Impacts		
BASELINE MAINTENANCE SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 48,440,063	$ 48,440,063	$ 48,440,063	$ 48,440,063
Total Revitalization Investments (PAYGO) [1]	$ 81,603,351	$ 81,603,351	$ 81,603,351	$ 81,603,351
Total - Public Investment	$ 130,043,413	$ 130,043,413	$ 130,043,413	$ 130,043,413
Performance Metrics				
Number of Code Enforcement Inspections	260,466	260,466	260,466	260,466
Number of Foreclosures	2,000	2,000	2,000	2,000
Number of Cutting & Cleanings	38,519	38,519	38,519	38,519
Number of Boardings	20,722	20,722	20,722	20,722
Number of Demolitions	2,000	2,000	2,000	2,000
Number of Jobs Created [2]	-	-	-	-
New Annual Payroll [2]	$ -	$ -	$ -	$ -
New Homes Constructed	100	150	300	500
Existing Homes Rehabilitated	380	570	1,140	1,900
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 3,090,509	$ 4,635,763	$ 9,271,527	$ 15,452,545
Personal Property Tax Base	$ 1,708,256	$ 2,562,384	$ 5,124,768	$ 8,541,281
Occupational Tax Base	$ -	$ -	$ -	$ -
Total - Tax Revenues	$ 4,798,765	$ 7,198,148	$ 14,396,295	$ 23,993,825
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($84,301,060)			
Return on Public Investment	3.7%	5.5%	11.1%	18.5%
INTERVENTION SCENARIO	**Years 1-20**	**1.5 x Leverage**	**3 x Leverage**	**5 x Leverage**
Public Investment				
Total Administrative/Code Enforcement Costs	$ 74,714,750	$ 74,714,750	$ 74,714,750	$ 74,714,750
Total Revitalization Investments (reflects municipal borrow	$ 86,381,259	$ 86,381,259	$ 86,381,259	$ 86,381,259
Total - Public Investment	$ 161,096,009	$ 161,096,009	$ 161,096,009	$ 161,096,009
Performance Metrics				
Number of Code Enforcement Inpections	316,629	316,629	316,629	316,629
Number of Foreclosures	2,878	2,878	2,878	2,878
Number of Cutting & Cleanings	77,038	77,038	77,038	77,038
Number of Boardings	13,000	13,000	13,000	13,000
Number of Demolitions	2,200	2,200	2,200	2,200
Number of Jobs Created [2]	572	629	744	858
New Annual Payroll [2]	$ 378,220,810	$ 416,042,891	$ 491,687,054	$ 567,331,216
New Homes Constructed	585	878	1,755	2,925
Existing Homes Rehabilitated	552	828	1,656	2,760
New Tax Revenues	(Year 20)	(Year 20)	(Year 20)	(Year 20)
Real Property Tax Base	$ 15,160,893	$ 22,741,339	$ 45,482,679	$ 75,804,465
Personal Property Tax Base	$ 9,351,715	$ 14,027,573	$ 28,055,146	$ 46,758,577
Occupational Tax Base	$ 11,464,372	$ 12,610,810	$ 14,903,684	$ 17,196,558
Total - Tax Revenues	$ 35,976,981	$ 49,379,722	$ 88,441,509	$ 139,759,600
ROI & Net Present Value Calculation				
Net Present Value of Cash Flows (Yrs. 1-20)	($81,737,317)			
Return on Public Investment	22.3%	30.7%	54.9%	86.8%

Source: RKG Associates, Inc., 2013
Discounty Rate 4.0%
Note:
[1] Assumes LMG pays for revitalization investments annually through direct outlays without using muncipal bonding
[2] Mutiplier of 1.1, 1.3 and 1.5 applied to direct jobs, payroll and occupational taxes to reflect leveraged effect of the original public investment

E. MEASURING REVITALIZATION - "Reducing the Impact of Vacant and Abandoned Properties"

The consultants, in conjunction with the Mayor's Innovation Delivery Team, prepared a 20-year projection model driven by the development assumptions contained in the Public ROI Model described earlier in this section. The purpose of the projections was to examine how the Baseline Maintenance approach, a proxy for Metro's current approach, would differ from the Intervention approach in terms of reducing the number of vacant and abandoned properties and revitalizing neighborhoods.

The projections assume that as revitalization occurs in impacted neighborhoods and underutilized property is put back into productive use, the number of vacant properties will be reduced over time. Consequently, the financial burden on Louisville Metro Government associated with managing this problem will be reduced as new tax revenues are generated through redevelopment.

1. Methodology

The public ROI model assumptions were used to drive the financial projections, which included total projected expenditures on such items as: administrative and code enforcement, infrastructure investments, and pre-development expenses. The model also projected future tax revenues resulting from the Baseline Maintenance and Intervention scenarios, based on the tangible and measurable development results from each approach. In parallel with the financial implications, the model projects the rate at which the number of vacant properties are reduced once redeveloped, foreclosed or otherwise removed from the Metro Government property maintenance program, which includes cutting and cleaning vacant lots, boarding abandoned buildings and carrying out regular code enforcement actions.

Modeling such a dynamic and unpredictable process is a challenge, but the model can be used as a comparative tool to evaluate the impacts of the two different revitalization approaches. Similar to the ROI analysis, the consultants measured the revitalization results in the same three study areas: (1) West Louisville, (2) Downtown, East & South Urban neighborhoods, and (3) Jefferson County suburbs. The assumptions made by the consultants relative to the rate of VAP reduction were reviewed Metro Government staff to ensure that reasonable assumptions were made.

Although derived from the same data inputs, the results presented in Table 7-4 are not identical to those presented in Tables 7-5 through 7-7. This is because each table is tracking slightly different data for different purposes. Because the ROI model is calculating a financial return to Metro Government, the data presented in the table is expressed differently than in the VAP Impact Model Results tables. Tables 7-5, 7-6 and 7-7 track expenditures, revenues and changes in the number of VAP properties, but do not account for such things as changes in annual outlay due to municipal borrowing.

2. Cost Saving Benefits of VAP Reduction

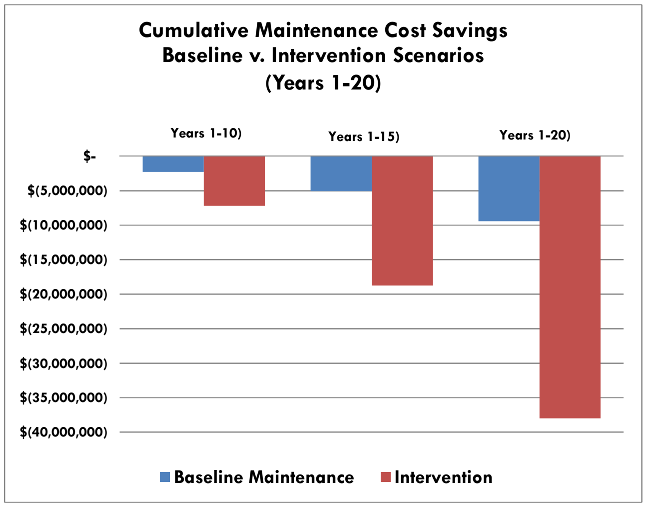
In order to reduce its annual outlays, Metro Government must first reduce the number of properties that it is managing each year, as well as reduce the rate at which new properties become vacant. Once a property requires municipal action for code enforcement actions, boarding, cutting and cleaning, demolition or foreclosure, a cost is incurred by the local government to manage these properties. However, once they are put back into productive use, either through government actions or the actions of private or nonprofit entities, the cost burden to local taxpayers is reduced.

According to RKG's projections, the most significant annual cost savings occur once the emphasis is placed on redevelopment and revitalization rather than property maintenance and code enforcement. Although property maintenance and code enforcement activities are essential activities to combat the progression of neighborhood decline, they do not always translate into measurable revenue increases.

In all three study areas, the more comprehensive Intervention approach yields greater annual maintenance cost savings because the approach is more actively engaged in reducing the City's inventory of vacant and abandoned properties. Cumulative maintenance cost savings range from roughly $7.2 million over the first 10 years to nearly $38 million by the end of Year 20. This occurs as the number of vacant and abandoned properties is reduced each year and the cost of maintaining the properties is also reduced. In order to properly assess Metro Government's total cost commitment to the VAP problem, the long-term capital investments required to eliminate the problem would be partially offset by the annual maintenance cost savings over 20 years. Using West Louisville as an example, in exchange for a total public investment of $75.8 million over 20 years (assuming Metro Government bonds the revitalization costs as presented) under the Intervention scenario, the government would realize an annual maintenance cost savings of nearly $38 million.

Under the Baseline Maintenance scenario, an investment of $68.9 million would only yield a cumulative maintenance cost savings of roughly $9.4 million over 20 years (Table 7-5 to 7-7). The cost savings under the Baseline scenario is not as impressive over the 20-year period because the VAP property inventory is being reduced at a much slower rate each year. At the same time, the cost of redevelopment rises as land values and the cost of property management services rise and Metro increases its investment in property acquisition and the provision of affordable housing subsidies. This effectively reduces the cost saving benefits each year

Figure 7-5



as a result of a decreasing VAP inventory and the resulting property maintenance costs.

3. VAP Inventory Reduction

Logically, the rate at which the VAP inventory is reduced directly impacts the cost savings over time. RKG has assumed that as VAP properties are foreclosed upon, sold and/or redeveloped, they effectively become the responsibility of an entity other than Metro Government and the costs associated with maintaining the property transfers to the new responsible owner.

For the purposes of projecting future reductions in the VAP inventory, RKG assumed that there are roughly 6,000 vacant properties, of which 50% of these properties will be "cured" on their own as market conditions improve and properties find other uses. This is probably less likely to occur in the hardest hit areas of the city where there are a myriad of factors keeping vacant properties in an underutilized status. Not least of which is the condition or status of adjacent properties, which are often in decline and have equally uncertain futures. This is why concerted City action is required to eliminate some of this uncertainty in areas that have real revitalization potential if the appropriate intervention occurs before conditions worsen.

VAP INVENTORY ASSUMPTIONS

- Of an estimated 6000 "vacant" properties, 50% will be remedied through normal market forces. This model therefore assumes a "backlog" of 3000 vacant properties which require Metro intervention.
- Approximately 1200 "abandoned" properties identified in Hansen - conditions are such that Metro is actively maintaining property to meet code and the property has been vacant for one year.
- Landbank/Metro-Owned Properties are **NOT** considered to be "vacant" because Louisville Metro has site control and can maintain to high standard.
- Need to foreclose to take title on all properties where we have conducted demolition – demolition in and of itself is not considered "disposition."

Of the remaining 3,000 vacant properties that require Metro intervention, approximately 1,200 properties are considered abandoned, meaning they have been receiving property maintenance services from Metro Government and have been vacant for one year. The abandoned property inventory is assumed to be a subset of the vacant property inventory. Accordingly, the 20-year inventory projections assume that when an abandoned property is removed from the inventory, one property is removed from the vacant property list.

Based on RKG's projections, the Baseline Maintenance approach results in the reduction of approximately 1,400 vacant and abandoned properties over 20 years, for a net reduction of 70 properties per year. The more aggressive Intervention scenario results in the reduction of 3,000 properties, for a reduction of 150 properties per year. However, it should be noted that the actual number of VAP properties removed from the inventory is actually larger because as properties are removed and put back into productive use, new properties are added to the VAP list through natural causes. Under the Baseline scenario, a total of 2,290 properties are put back into product use, but that total includes 875 new VAP properties added during the 20-year period. For the Intervention scenario, the total number of "cured" properties is 3,649, which includes 649 new properties added during the 20-year period.

4. Implications

As the data and conventional wisdom would suggest, the faster the number of VAP properties are reduced, the sooner they become revenue-producing real estate and the sooner they start to have positive effects on their surrounding neighborhoods. However, these accelerated results come at a significant cost. Over the 20-year projection period, the total Metro expenditures range from a low end of $206 million in the West Louisville area to $247 million in the Downtown study area. This includes raw costs for all activities and does not reflect the method in which these costs may be funded (i.e., PAYGO or municipal borrowing) (Tables 7-5 to 7-7). The biggest factor influencing the difference in cost is the value of real estate, which is much higher in the downtown and suburban study areas than in West Louisville.

Table 7-5

Vacant & Abandoned Properties Impact Model (YearS 1-20)
Baseline Maintenance & Intervention Scenario

	Year 1		Year 10		Year 15		Year 20	
WEST LOUISVILLE STUDY AREA	**Units**	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
BASELINE MAINTENANCE SCENARIO								
Total Expenditures (inc. infrastructure investments)		**$ 5,228,948**		**$ 55,330,837**		**$ 85,373,573**		**$ 116,752,774**
Administrative Services/Infrastructure/Code Enforcement		**$ 3,233,682**		**$ 33,106,539**		**$ 49,920,411**		**$ 66,420,823**
Code Enforcement/Inspection	6,000	$ 591,600	4,599	$ 5,829,602	3,765	$ 8,545,717	2,889	$ 10,973,354
Administrative Staff Time (Metro Govt.)	-	$ 151,670	-	$ 1,693,396	-	$ 2,705,080	-	$ 3,845,726
Cutting/Cleaning	2,416	$ 1,286,839	1,663	$ 12,099,461	1,215	$ 17,087,244	744	$ 20,856,900
Boarding	650	$ 77,272	6,500	$ 865,712	9,750	$ 1,385,642	13,000	$ 1,973,895
Demolition	100	$ 726,300	1,000	$ 8,137,016	1,500	$ 13,023,958	2,000	$ 18,553,085
Foreclosure	100	$ 400,000	1,000	$ 4,481,353	1,500	$ 7,172,771	2,000	$ 10,217,863
Pre-Development Expenditures		**$ 1,995,267**		**$ 22,224,298**		**$ 35,453,163**		**$ 50,331,951**
Neighborhood Planning	0.2	$ 100,000	2.0	$ 1,120,338	3.0	$ 1,793,193	4.0	$ 2,554,466
Infrastructure Improvements	-	$ -	-	$ -	-	$ -	-	$ -
Affordable Housing Subsidies	24	$ 1,385,000	240	$ 15,516,684	360	$ 24,835,718	480	$ 35,379,351
Property Acquisition (Residential & Nonresidential)	20	$ 510,267	200	$ 5,587,276	300	$ 8,824,252	400	$ 12,398,134
Tax Revenues		**$ 16,690**		**$ 1,127,383**		**$ 2,736,941**		**$ 5,306,849**
Real Property Tax Revenue		$ 15,901		$ 943,534		$ 2,149,936		$ 3,932,769
Personal Property Tax Revenue		$ 789		$ 183,849		$ 587,005		$ 1,374,080
Occupational Tax Revenue		$ -		$ -		$ -		$ -
Economic Development	-	$ -	-	$ -		$ -		$ -
Employment	-		-		-		-	
Annual Payroll		$ -		$ -		$ -		$ -
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(602)		(948)		(1,412)	
Abandoned	-		(602)		(948)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (2,274,510)		$ (5,073,269)		$ (9,421,809)
INTERVENTION SCENARIO								
	Year 1		**Year 10**		**Year 15**		**Year 20**	
	Units	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
Total Expenditures (inc. infrastructure investments)		**$ 7,060,140**		**$ 94,932,180**		**$ 152,916,036**		**$ 206,314,302**
Administrative Services/Infrastructure/Code Enforcement		**$ 4,914,873**		**$ 53,430,813**		**$ 76,511,248**		**$ 94,069,464**
Code Enforcement/Inspection	6,000	$ 887,400	3,835	$ 8,268,269	2,398	$ 11,218,045	888	$ 12,887,819
Administrative Staff Time (Metro Govt.)	-	$ 151,670	-	$ 4,938,666	-	$ 9,803,096	-	$ 13,712,914
Cutting/Cleaning	2,416	$ 2,573,678	1,238	$ 22,380,923	383	$ 27,540,037	-	$ 27,904,339
Boarding	650	$ 175,825	6,500	$ 1,969,835	9,750	$ 3,152,881	13,000	$ 4,491,389
Demolition	100	$ 726,300	1,200	$ 9,766,217	1,700	$ 14,653,159	2,200	$ 20,182,285
Foreclosure	100	$ 400,000	1,350	$ 6,106,904	2,100	$ 10,144,031	2,878	$ 14,890,718
Pre-Development Activities		**$ 2,145,267**		**$ 41,501,367**		**$ 76,404,788**		**$ 112,244,838**
Neighborhood Planning	0.50	$ 250,000	5.0	$ 2,800,845	7.5	$ 4,482,982	10.0	$ 6,386,164
Infrastructure Improvements	-	$ -	-	$ 647,516	-	$ 1,436,451	-	$ 1,436,451
Affordable Housing Subsidies	24	$ 1,385,000	447	$ 25,353,778	787	$ 46,164,669	1,137	$ 70,144,771
Property Acquisition (Residential & Nonresidential)	20	$ 510,267	388	$ 12,699,228	687	$ 24,320,687	990	$ 34,277,451
Revenues		**$ 33,381**		**$ 7,057,021**		**$ 19,690,801**		**$ 40,807,725**
Real Property Tax Revenue		$ 15,901		$ 3,670,703		$ 9,871,645		$ 19,621,845
Personal Property Tax Revenue		$ 789		$ 982,555		$ 3,643,474		$ 9,365,131
Occupational Tax Revenue		$ 16,690		$ 2,403,764		$ 6,175,682		$ 11,820,749
Economic Development	-	$ -	**286**	**$ 76,911,661**	**572**	**$ 197,599,256**	**572**	**$ 378,220,810**
Employment	-		286		572		572	
Annual Payroll		$ -		$ 76,911,661		$ 197,599,256		$ 378,220,810
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(1,069)		(1,883)		(3,000)	
Abandoned	-		(1,069)		(1,200)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (7,195,431)		$ (18,760,587)		($37,966,082)

Source: RKG Associates, Inc., 2013

Table 7-6

Vacant & Abandoned Properties Impact Model (YearS 1-20)
Baseline Maintenance & Intervention Scenario

	Year 1		Year 10		Year 15		Year 20	
DOWNTOWN, EAST & SOUTH URBAN NEIGHBORHOODS STUDY AREA	**Units**	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
BASELINE MAINTENANCE SCENARIO								
Total Expenditures (inc. infrastructure investments)		**$ 6,294,952**		**$ 67,003,277**		**$ 103,808,416**		**$ 142,653,854**
Administrative Services/Infrastructure/Code Enforcement		**$ 3,279,586**		**$ 33,609,180**		**$ 50,714,255**		**$ 67,536,181**
Code Enforcement/Inspection	6,000	$ 591,600	4,599	$ 5,829,602	3,765	$ 8,545,717	2,889	$ 10,973,354
Administrative Staff Time (Metro Govt.)	-	$ 197,575	-	$ 2,196,037	-	$ 3,498,924	-	$ 4,961,084
Cutting/Cleaning	2,416	$ 1,286,839	1,663	$ 12,099,461	1,215	$ 17,087,244	744	$ 20,856,900
Boarding	650	$ 77,272	6,500	$ 865,712	9,750	$ 1,385,642	13,000	$ 1,973,895
Demolition	100	$ 726,300	1,000	$ 8,137,016	1,500	$ 13,023,958	2,000	$ 18,553,085
Foreclosure	100	$ 400,000	1,000	$ 4,481,353	1,500	$ 7,172,771	2,000	$ 10,217,863
Pre-Development Expenditures		**$ 3,015,366**		**$ 33,394,097**		**$ 53,094,160**		**$ 75,117,674**
Neighborhood Planning	0.2	$ 100,000	2.0	$ 1,120,338	3.0	$ 1,793,193	4.0	$ 2,554,466
Infrastructure Improvements	-	$ -	-	$ -	-	$ -	-	$ -
Affordable Housing Subsidies	24	$ 1,385,000	240	$ 15,516,684	360	$ 24,835,718	480	$ 35,379,351
Property Acquisition (Residential & Nonresidential)	20	$ 1,530,366	200	$ 16,757,075	300	$ 26,465,249	400	$ 37,183,857
Tax Revenues		**$ 17,981**		**$ 1,214,552**		**$ 2,948,560**		**$ 5,717,172**
Real Property Tax Revenue		$ 17,130		$ 1,016,488		$ 2,316,168		$ 4,236,849
Personal Property Tax Revenue		$ 850		$ 198,064		$ 632,392		$ 1,480,323
Occupational Tax Revenue		$ -		$ -		$ -		$ -
Economic Development	-	$ -	-	$ -		$ -		$ -
Employment	-		-		-		-	
Annual Payroll		$ -		$ -		$ -		$ -
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(602)		(948)		(1,412)	
Abandoned	-		(602)		(948)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (2,274,510)		$ (5,073,269)		$ (9,421,809)
INTERVENTION SCENARIO								
	Year 1		Year 10		Year 15		Year 20	
	Units	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
Total Expenditures (inc. infrastructure investments)		**$ 8,126,143**		**$ 110,214,863**		**$ 179,245,552**		**$ 246,833,265**
Administrative Services/Infrastructure/Code Enforcement		**$ 4,960,778**		**$ 54,088,919**		**$ 77,645,055**		**$ 95,814,300**
Code Enforcement/Inspection	6,000	$ 887,400	3,835	$ 8,268,269	2,398	$ 11,218,045	888	$ 12,887,819
Administrative Staff Time (Metro Govt.)	-	$ 197,575	-	$ 5,596,772	-	$ 10,936,903	-	$ 15,457,749
Cutting/Cleaning	2,416	$ 2,573,678	1,238	$ 22,380,923	383	$ 27,540,037	-	$ 27,904,339
Boarding	650	$ 175,825	6,500	$ 1,969,835	9,750	$ 3,152,881	13,000	$ 4,491,389
Demolition	100	$ 726,300	1,200	$ 9,766,217	1,700	$ 14,653,159	2,200	$ 20,182,285
Foreclosure	100	$ 400,000	1,350	$ 6,106,904	2,100	$ 10,144,031	2,878	$ 14,890,718
Pre-Development Activities		**$ 3,165,366**		**$ 56,125,944**		**$ 101,600,497**		**$ 151,018,965**
Neighborhood Planning	0.50	$ 250,000	5.0	$ 2,800,845	7.5	$ 4,482,982	10.0	$ 6,386,164
Infrastructure Improvements	-	$ -	-	$ 647,516	-	$ 1,436,451	-	$ 1,436,451
Affordable Housing Subsidies	24	$ 1,385,000	447	$ 25,353,778	787	$ 46,164,669	1,137	$ 70,144,771
Property Acquisition (Residential & Nonresidential)	20	$ 1,530,366	388	$ 27,323,805	687	$ 49,516,396	990	$ 73,051,579
Revenues		**$ 35,962**		**$ 7,477,995**		**$ 20,942,763**		**$ 43,552,297**
Real Property Tax Revenue		$ 17,130		$ 3,968,436		$ 10,670,446		$ 21,212,949
Personal Property Tax Revenue		$ 850		$ 1,110,058		$ 4,107,587		$ 10,539,562
Occupational Tax Revenue		$ 17,981		$ 2,399,501		$ 6,164,729		$ 11,799,786
Economic Development	-	$ -	**286**	**$ 76,911,661**	**572**	**$ 197,599,256**	**572**	**$ 378,220,810**
Employment	-		286		572		572	
Annual Payroll		$ -		$ 76,911,661		$ 197,599,256		$ 378,220,810
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(1,069)		(1,883)		(3,000)	
Abandoned	-		(1,069)		(1,200)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (7,195,431)		$ (18,760,587)		($37,966,082)

Source: RKG Associates, Inc., 2013

Table 7-7

Vacant & Abandoned Properties Impact Model (YearS 1-20)
Baseline Maintenance & Intervention Scenario

	Year 1		Year 10		Year 15		Year 20	
JEFFERSON COUNTY SUBURBS STUDY AREA	**Units**	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
BASELINE MAINTENANCE SCENARIO								
Total Expenditures (inc. infrastructure investments)		**$ 5,775,947**		**$ 61,320,324**		**$ 94,833,057**		**$ 130,043,413**
Administrative Services/Infrastructure/Code Enforcement		**$ 3,257,237**		**$ 33,364,459**		**$ 50,327,757**		**$ 66,993,147**
Code Enforcement/Inspection	6,000	$ 591,600	4,599	$ 5,829,602	3,765	$ 8,545,717	2,889	$ 10,973,354
Administrative Staff Time (Metro Govt.)	-	$ 175,225	-	$ 1,951,316	-	$ 3,112,426	-	$ 4,418,050
Cutting/Cleaning	2,416	$ 1,286,839	1,663	$ 12,099,461	1,215	$ 17,087,244	744	$ 20,856,900
Boarding	650	$ 77,272	6,500	$ 865,712	9,750	$ 1,385,642	13,000	$ 1,973,895
Demolition	100	$ 726,300	1,000	$ 8,137,016	1,500	$ 13,023,958	2,000	$ 18,553,085
Foreclosure	100	$ 400,000	1,000	$ 4,481,353	1,500	$ 7,172,771	2,000	$ 10,217,863
Pre-Development Expenditures		**$ 2,518,711**		**$ 27,955,865**		**$ 44,505,300**		**$ 63,050,266**
Neighborhood Planning	0.2	$ 100,000	2.0	$ 1,120,338	3.0	$ 1,793,193	4.0	$ 2,554,466
Infrastructure Improvements	-	$ -	-	$ -	-	$ -	-	$ -
Affordable Housing Subsidies	24	$ 1,385,000	240	$ 15,516,684	360	$ 24,835,718	480	$ 35,379,351
Property Acquisition (Residential & Nonresidential)	20	$ 1,033,711	200	$ 11,318,843	300	$ 17,876,389	400	$ 25,116,449
Tax Revenues		**$ 13,477**		**$ 970,024**		**$ 2,419,260**		**$ 4,798,765**
Real Property Tax Revenue		$ 12,495		$ 741,463		$ 1,689,496		$ 3,090,509
Personal Property Tax Revenue		$ 981		$ 228,561		$ 729,765		$ 1,708,256
Occupational Tax Revenue		$ -		$ -		$ -		$ -
Economic Development	-	$ -	-	$ -		$ -		$ -
Employment	-		-		-		-	
Annual Payroll		$ -		$ -		$ -		$ -
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(602)		(948)		(1,412)	
Abandoned	-		(602)		(948)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (2,274,510)		$ (5,073,269)		$ (9,421,809)
INTERVENTION SCENARIO								
	Year 1		**Year 10**		**Year 15**		**Year 20**	
	Units	**Yr. 1 Cost/Value**	**Units**	**Cum. Total Cost (Yrs. 1-10)**	**Units**	**Cum. Total Cost (Yrs. 1-15)**	**Units**	**Cum. Total Cost (Yrs. 1-20)**
Total Expenditures (inc. infrastructure investments)		**$ 7,607,139**		**$ 102,093,355**		**$ 164,947,208**		**$ 225,532,342**
Administrative Services/Infrastructure/Code Enforcement		**$ 4,938,428**		**$ 53,739,189**		**$ 77,029,337**		**$ 94,897,035**
Code Enforcement/Inspection	6,000	$ 887,400	3,835	$ 8,268,269	2,398	$ 11,218,045	888	$ 12,887,819
Administrative Staff Time (Metro Govt.)	-	$ 175,225	-	$ 5,247,042	-	$ 10,321,184	-	$ 14,540,485
Cutting/Cleaning	2,416	$ 2,573,678	1,238	$ 22,380,923	383	$ 27,540,037	-	$ 27,904,339
Boarding	650	$ 175,825	6,500	$ 1,969,835	9,750	$ 3,152,881	13,000	$ 4,491,389
Demolition	100	$ 726,300	1,200	$ 9,766,217	1,700	$ 14,653,159	2,200	$ 20,182,285
Foreclosure	100	$ 400,000	1,350	$ 6,106,904	2,100	$ 10,144,031	2,878	$ 14,890,718
Pre-Development Activities		**$ 2,668,711**		**$ 48,354,166**		**$ 87,917,871**		**$ 130,635,306**
Neighborhood Planning	0.50	$ 250,000	5.0	$ 2,800,845	7.5	$ 4,482,982	10.0	$ 6,386,164
Infrastructure Improvements	-	$ -	-	$ 647,516	-	$ 1,436,451	-	$ 1,436,451
Affordable Housing Subsidies	24	$ 1,385,000	447	$ 25,353,778	787	$ 46,164,669	1,137	$ 70,144,771
Property Acquisition (Residential & Nonresidential)	20	$ 1,033,711	388	$ 19,552,028	687	$ 35,833,770	990	$ 52,667,920
Revenues		**$ 26,954**		**$ 6,126,424**		**$ 17,217,626**		**$ 35,976,981**
Real Property Tax Revenue		$ 12,495		$ 2,825,637		$ 7,612,924		$ 15,160,893
Personal Property Tax Revenue		$ 981		$ 969,493		$ 3,615,208		$ 9,351,715
Occupational Tax Revenue		$ 13,477		$ 2,331,294		$ 5,989,494		$ 11,464,372
Economic Development	-	$ -	**286**	**$ 76,911,661**	**572**	**$ 197,599,256**	**572**	**$ 378,220,810**
Employment	-		286		572		572	
Annual Payroll		$ -		$ 76,911,661		$ 197,599,256		$ 378,220,810
Change in Vacant & Abandoned Property Inventory								
Vacant	-		(1,069)		(1,883)		(3,000)	
Abandoned	-		(1,069)		(1,200)		(1,200)	
Total Cummulative Maintenance Cost Savings	-	-		$ (7,195,431)		$ (18,760,587)		($37,966,082)

Source: RKG Associates, Inc., 2013